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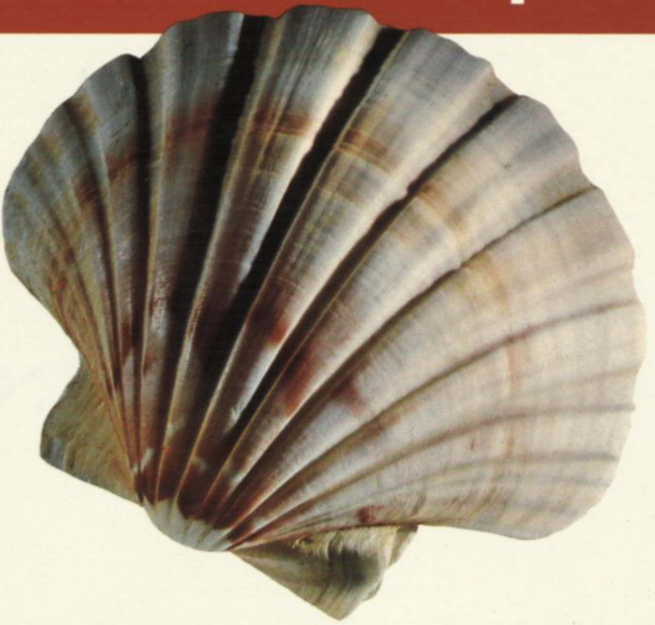
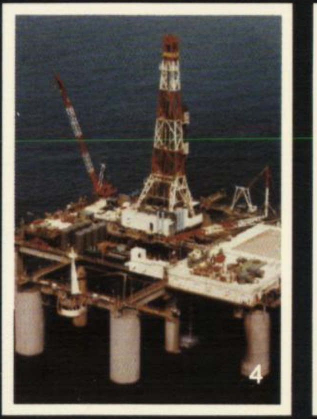
Shell Oil Company

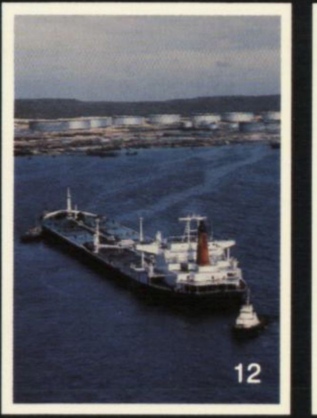
Annual Report 1974

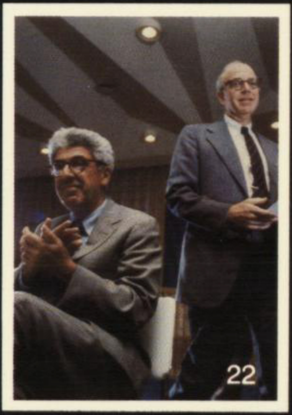


Shell Oil Company Annual Report

Year Ended December 31, 1974







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Executive Offices:
Shell Oil Company
Shell Chemical Company*
Shell Development Company*
One Shell Plaza, P.O. Box 2463
Houston, Texas 77001

The Annual Meeting of shareholders will be held at the Fairmont Hotel (International Ballroom) University Place, New Orleans, Louisiana, at 11 a.m. Thursday, April 24, 1975. A formal notice of the meeting, together with a proxy statement and form of proxy will be mailed to shareholders on or about March 15, 1975.

Availability of Form 10-K

The Company's annual report on Form 10-K filed with the Securities and Exchange Commission may be obtained after March 31, 1975 by writing to:
Shell Oil Company
Corporate Secretary's Office
One Shell Plaza, Houston, Texas 77002

Transfer Agents

Irving Trust Company, 1 Wall Street, New York, N. Y. 10015
The Bank of California National Association, 400 California Street, San Francisco, Calif. 94120
Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Ill. 60690
Montreal Trust Company
15 King St., West, Toronto 105, Ontario, Canada
P. O. Box 1900, Station "B", Montreal 110, Quebec, Canada
466 Howe St., Vancouver, B. C., Canada

Notice of change of shareholder's address should be sent to one of the above transfer agents.

Stock Exchange Listings

Midwest Stock Exchange, Chicago, Illinois
New York Stock Exchange, New York, New York
Pacific Coast Stock Exchange, San Francisco, California
Montreal Stock Exchange, Montreal, Quebec, Canada
The Toronto Stock Exchange, Toronto, Ontario, Canada
Vancouver Stock Exchange, Vancouver, B. C., Canada

Inside Back Cover

Shell research in the biological sciences includes development of products to improve animal health and nutrition and increase food production.

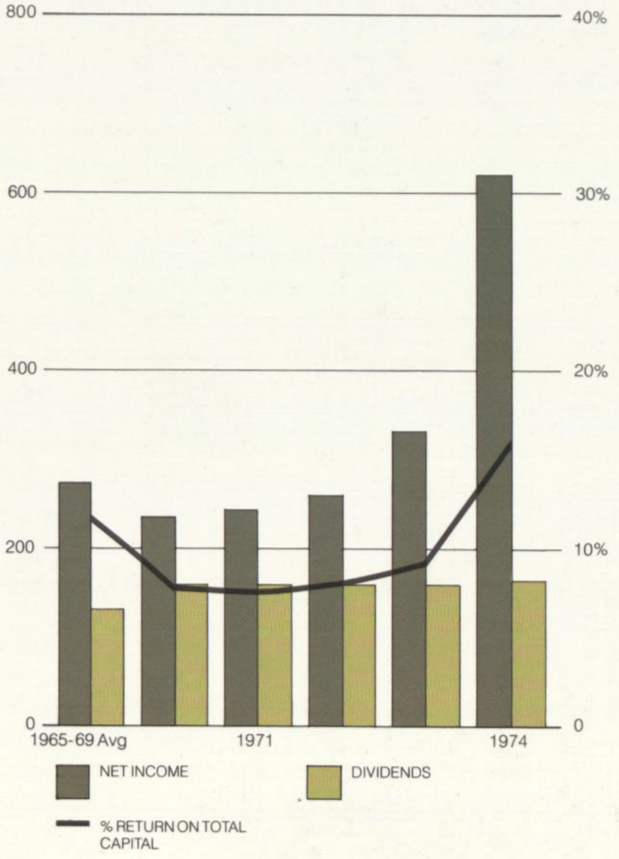
*A division of Shell Oil Company

Highlights of the Year

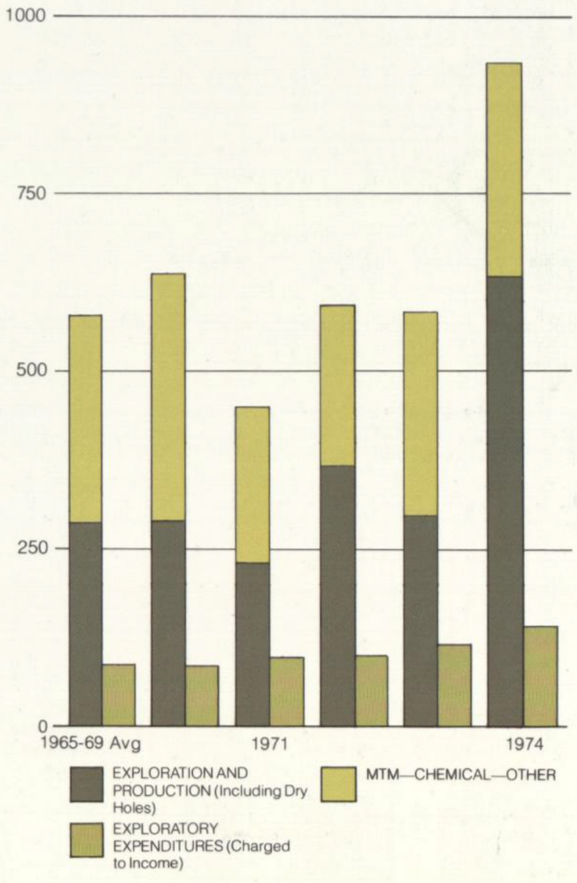
Financial	1974	1973
Revenues	$8,492,967,000	$5,749,566,000
Net Income	$ 620,539,000	$ 332,694,000
Per Share	$ 9.21	$ 4.94
Cash Dividends	$ 165,121,000	$ 161,704,000
Per Share	$ 2.45	$ 2.40
Shareholders' Equity	$3,559,695,000	$3,095,075,000
Per Share	$52.70	$45.94
Capital Expenditures	$ 929,248,000	$ 580,581,000
Total Assets	$6,128,884,000	$5,381,164,000

Operating	1974	1973
Refined Products Sold (Barrels Daily)	1,060,000	1,136,000
Refinery Processing Intakes (Barrels Daily)	1,030,000	1,085,000
Net Crude Oil and Natural Gas Liquids Produced (Barrels Daily)	586,000	631,000
Net Natural Gas Produced (Thousand Cubic Feet Daily)	2,050,000	2,268,000

Net Income, Dividends and Return on Total Capital (Millions of Dollars)



Capital and Exploratory Expenditures (Millions of Dollars)



Letter to the Shareholders

When we wrote to you a year ago, we were in the middle of an Arab embargo on crude oil shipments to this country and the oil industry was suffering from an unprecedented and violent attack for its unjustly presumed role in creating the energy crisis which was becoming apparent to everyone. During the year which has since elapsed there has been a veritable explosion of information about the origins of the crisis, and the fact that the fruits of price increases have largely accrued to the governments of the oil exporting countries is now well understood.

We are fortunate in this country that, even though oil prices and interstate sales of natural gas continue under strict controls, the government has accepted the need for some freedom in pricing in order to stimulate the search for the remaining hydrocarbon reserves in the United States. The weighted average price of our own domestic crude oil production grew from $3.94 per barrel in 1973 to $6.60 per barrel in 1974 while the weighted average price per thousand cubic feet of natural gas increased from 22.5 to 31.0 cents. These increases were the principal reason for our 1974 financial results being the highest in the Company's history. Net income for the year was $620.5 million, an increase of 87 percent over our previous high of $332.7 million in 1973. The decontrol of chemical product prices early in the year permitted our investment in these assets to contribute significantly to the improvement, but continuing oil product price controls and crude oil allocation caused sharp declines in our margins in refining and marketing.

At this point, we wish to call your attention to the statistical supplement to this report. It is published for the first time this year in an effort to provide more detailed information on our operations and financial results and the impact that inflation has had on traditional financial reporting.

The overall improvement achieved in 1974 enabled us to support a substantially higher level of capital investment in our search for and development of energy sources. Our capital spending for the year was a record $929 million, about 60 percent higher than the $581 million of 1973. We expect 1975 capital expenditures to exceed $1 billion. Such a level of spending is an indication of the vast financial resources that will be necessary to reverse the current decline in the nation's energy self-sufficiency. A substantial portion of these funds must be generated internally and the major element here is a sustained level of earnings and cash flow.

We are convinced that private industry operating in a free market environment, and having access to the necessary capital, is the best vehicle for resolving energy problems. The petroleum industry and the nation as a whole are rich in expertly-trained and competent people, outstanding technology and modern industrial equipment and facilities. The United States has abundant energy resources if they are developed to their full potential. What is needed more than anything is a clear, firm national energy policy that will release these strengths to do the job and enable us to plan more effectively. Such a policy should encourage both conservation and development of fossil and alternative energy resources and should not, through punitive tax and other measures, impede the formation of the large amounts of capital that will be required. This policy must be acceptable to the public and American industry in general, and government must assume the responsibility for balancing conflicting industry and public interests so the nation may best be served. Lack of such a policy, rising costs and supply uncertainties have been major factors in decisions to postpone additions to our refining capacity and to suspend construction plans in a Colorado shale oil venture in which we have an interest.

Meanwhile, our basic strategy remains to fill our system with hydrocarbons from the most secure sources we can find. This strategy underlies our stepped-up exploration and production activities in this country and abroad, and our attempts to secure dependable sources of imported oil and products. We have increased our activities in coal with the idea not only of selling it but also using it for fuel in our own manufacturing operations. We want to stress that your Company's overseas investments are for the purpose of obtaining oil for our domestic refining and marketing operations.

We believe it to be in the best interests of the nation, our customers and your Company to use limited hydrocarbon resources in ways which add the most value to the raw material, thereby benefiting the economy and creating more jobs. In this context, chemicals appear to have the potential for maintaining income necessary to attract investment in the years ahead. Although we plan to increase feedstocks for the manufacture of basic chemicals so essential to the economy, this will be a small percentage of our total hydrocarbon outturn. So our growth in chemicals will not materially reduce our overall volume of energy products.

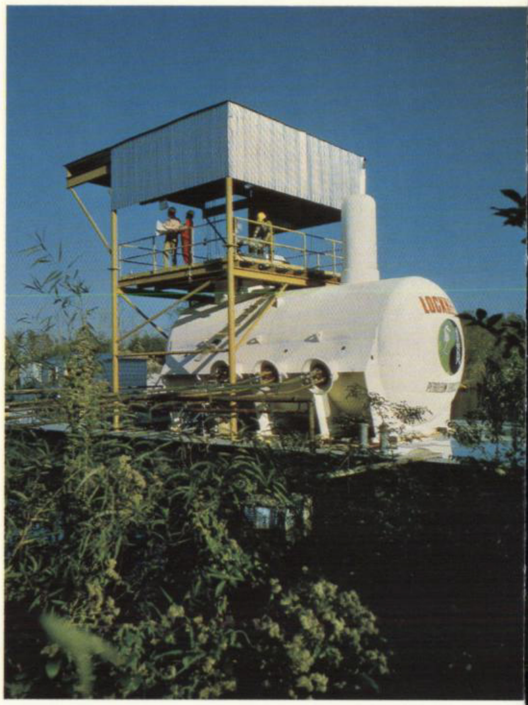
Your Company and the industry are in a difficult period of transition. For our part, we must be efficient, resourceful and aware of public needs. We must also be open, frank and fully informative, and we will continue patiently to offer evidence to create public understanding and to refute untrue allegations about our policies and performance.

Finally, we would add that without the willing cooperation of our 32,000 employees we would fail in this difficult task. We are fortunate to have highly competent and devoted staff whose contribution to the results we have so far achieved is gratefully acknowledged.

G. A. Wagner
Chairman of the Board

Harry Bridges
President

February 14, 1975



One Shell Square, headquarters of the Southern E&P Region, towers behind New Orleans' French Quarter. On the Louisiana coast, development of a subsea production system is progressing with testing of a manifold (above) that is designed to control and combine oil and gas from several underwater producing wells.

The model below is of a platform located in the Gulf of Mexico. Forty wells from this platform will be directionally drilled through curved conductors to avoid an unstable ocean bottom condition and reach distant well targets.

The Search Widens

Oil and natural gas are discovered at home and abroad and the Company's first foreign production is scheduled for 1975

Shell ranged farther afield and into deeper waters with an expanded exploration and production program in 1974. Oil and natural gas discoveries were made at home and abroad and the Company started preparing for its first foreign production, scheduled to begin in offshore Sabah, Malaysia in 1975. Results of supplemental recovery efforts in older reservoirs continued to be encouraging. The Company also ventured into geothermal energy.

Domestically, Shell continued to emphasize activities in the Gulf of Mexico, Michigan, Utah's Uinta Basin, California, and West Texas. Oil and natural gas were discovered in the Mackenzie River Delta of Canada and in offshore areas near Sabah, the Republic of Vietnam, and Cameroon on the west coast of Africa. Additional drilling is planned in all these areas to determine whether these discoveries are commercially productive.

With the encouragement of higher oil and gas revenues, Shell employed an average of 43 rigs in 1974, compared to 35 in 1973. Seismic coverage in miles, a measure of the effort to obtain geophysical data prior to exploratory drilling, increased 25 percent over 1973. The Company also committed itself to several offshore development programs which were considered of marginal promise until recent oil and gas price increases. Shell and co-bidders obtained 16 tracts off Louisiana and one tract off Texas for $437.6 million in bonus payments, of which Shell's share was $265.4 million. The tracts total 80,516 acres. The 1974 activity was consistent with efforts to arrest the decline in the Company's oil and gas production and reserves.

In 1974, Shell's gross production of liquid hydrocarbons — crude oil and natural gas liquids — averaged 678,000 barrels daily compared to 732,000 barrels per day in 1973, with declining older wells a major factor. Gross natural gas production was 2.4 billion cubic feet per day, compared to 2.7 billion per day in 1973. Net proved reserves at the end of 1974 were estimated to be 1.9 billion barrels of liquid hydrocarbons (excluding shale oil potential), compared to 2.0 billion in 1973, and 7.4 trillion cubic feet of natural gas, unchanged from 1973. It is estimated that 77 percent of liquid reserves and 80 percent of the natural gas reserves can be recovered through existing wells.

Domestic Operations

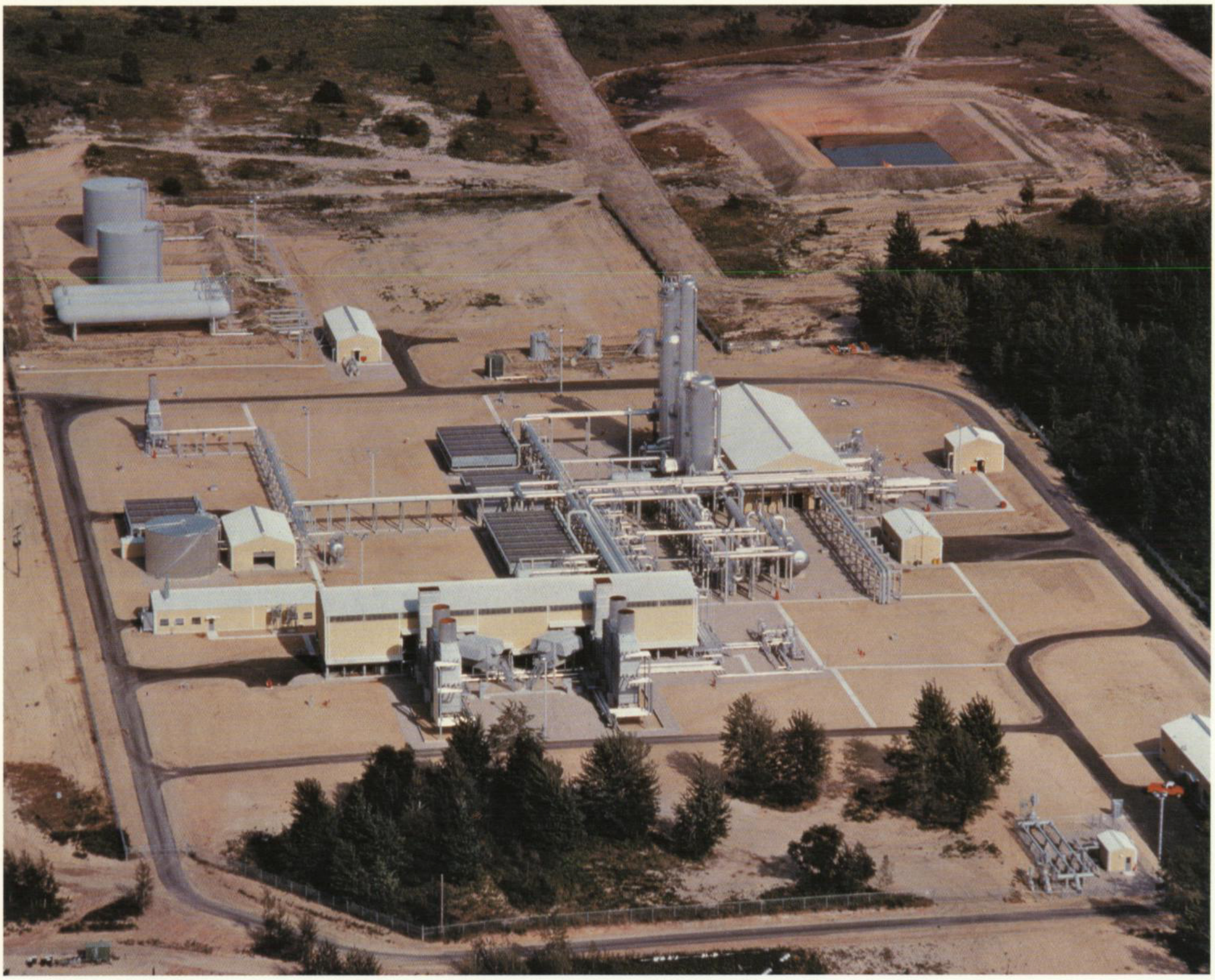
Some 87 percent of Shell's 1974 capital and exploratory spending was in the United States. Here is a look at domestic operations:

GULF OF MEXICO — This remains the Company's key area of domestic activity and Shell still is the industry's largest producer of crude oil in the Gulf. Shell's gross production from the Gulf in 1974 averaged some 226,000 barrels of crude oil and 813 million cubic feet of gas daily. These were 38 percent and 34 percent of the Company total, respectively.

Three tracts for which Shell and co-bidders paid $214.3 million (Shell's share was $81 million) in the March, 1974 federal lease sale, total 17,122 acres and extend into water depths greater than 1,000 feet. The March sale was the first time acreage in water depths greater than 600 feet had been offered for lease in the Gulf of Mexico. A platform is being designed for 1,000-1,100 feet of water to develop the acreage if discoveries are made. Exploratory drilling is expected to begin in the summer of 1975 and, if successful, the first platform could be placed as early as 1978.

Elsewhere in the Gulf, three platforms have been installed in the South Marsh Island Block 130 field off Louisiana for a major 1975 development program. The Company also installed a platform to resume drilling in the South Pass Block 61 field where one platform was destroyed and a second platform was damaged beyond repair by a hurricane in 1969. And a platform was set in place and development drilling commenced on a tract which Shell purchased alone for $66 million in the March, 1974 federal lease sale. This tract is in the Bay Marchand field adjoining Shell production.

Also in the Gulf, Shell and co-venturers, in a 50-50 joint operation with another group headed by Sun Oil Company, began drilling on an 18,800-foot exploratory well some 50 miles off the west coast of Florida. Shell is the operator and has a 21 percent net interest in the well and a 42 percent interest in the tract. This is Shell's first drilling offshore Florida.



The Kalkaska Gas Plant in Michigan began operations in 1974 and at year end was processing some 90 million cubic feet of natural gas daily.

The tract is among 10 bought by the Company and co-venturers for a total of $29.4 million in the December, 1973 lease sale.

In the supplement to this report, on pages 22 and 23, a tabulation and map detail offshore leases in the Gulf of Mexico acquired by Shell and others since the resumption of lease sales in December, 1970.

In connection with its deep water activities in the Gulf of Mexico, Shell began onshore testing in the second phase of a three-phase program to develop a subsea production system. This is a joint program with Lockheed Petroleum Services. The first phase, tested successfully in 1972-3, involved a permanent wellhead chamber enclosing an oil and gas well in 375 feet of water in the Gulf, and in which the required sea floor well completions can be accomplished in a dry, shirt-sleeve environment. The second phase is a manifold chamber to control, test, and combine oil and gas from several subsea wells. Offshore testing is scheduled in 1975. The third phase is a unit to pump well production to a surface facility.

MICHIGAN — Onshore, the Company's most active area remained Michigan's Pinnacle Reef belt where 13 drilling rigs were operating at the end of 1974. For the year, Shell recorded 75 discoveries in 121 exploratory wells, increasing the total number to 156 oil and gas fields discovered since the program began in 1968. Production at year's end was 14,500 barrels of oil and 70 million cubic feet of natural gas per day. The Kalkaska Gas Plant began operations in the second quarter of 1974 and at year's end was processing 90 million cubic feet daily.

UTAH'S UINTA BASIN — The Altamont Gas Plant began operations and at year's end was processing 23 million cubic feet daily. Shell's gross oil production from the Altamont/Bluebell field in 1974 averaged 15,400 barrels per day.

CALIFORNIA'S SACRAMENTO VALLEY—The Company had 9 discoveries of natural gas in 17 tries in 1974, using Bright Spot seismic technology. There are indications of numerous other opportunities in the play.

ALASKA — Exploratory drilling in Alaska's Cook Inlet is planned on the five tracts which were acquired for $5.4 million in the December, 1973 lease sale. The timing of such drilling is indefinite in view of pending litigation concerning the correctness of procedures employed by Alaska in conducting the lease sale. Shell also has an exploration agreement with Calista Corporation, a native Alaskan regional corporation, to conduct geological and geophysical surveys on some 18 million acres of land in the Yukon and Kuskokwim River basins, adjacent to the Bering Sea. Calista, assisted by Shell's survey data, will select about 6 million acres and Shell then may select up to 1.4 million acres of these for leasing.

OTHER AREAS—Shell also is actively exploring the Williston Basin in Montana and North Dakota, South Florida, the Albuquerque Basin in New Mexico and the Wasatch Plateau in Utah.

The Company continued to emphasize supplemental recovery as a means of increasing production. The most successful example has been the Wasson field in West Texas, discovered in the mid-1930's and where Shell has a 32 percent interest in the 27,850-acre Denver unit. A combination of waterflooding, more closely spaced drilling, and modern completion procedures in recent years have increased Shell's share of the unit's production significantly, to an average of 43,800 barrels daily in 1974.

Injection of steam in several heavy oil fields in California has proved very successful, with Shell's daily production from those fields at year end averaging 40,000 barrels per day. Other supplemental recovery efforts include field tests of carbon dioxide recovery processes at North Cross Unit in West Texas and Little Creek in Mississippi, and a chemical waterflood in the Benton Field in southern Illinois.

The economics of developing domestic natural gas also improved in 1974, especially after a Federal Power Commission opinion in June which raised the ceiling rate for "new" natural gas in the continental U.S. to 43 cents per thousand cubic feet (plus individual state taxes and subject to one-cent automatic annual increases). The rate was increased to 50 cents in December. "New" natural gas to which the rate is applicable is gas from wells begun on or after January 1, 1973, contracted for interstate sale after that date, or sold under contracts expiring or new contracts beginning after that date. Higher interstate and intrastate prices were the major factor in the Company's gas revenues increase from $194 million in 1973 to $237 million in 1974. In Shell's view, however, current interstate prices of natural gas do not compare favorably with the much higher prices in the unregulated intrastate market. And when compared to oil and other sources of energy on an equivalent energy basis, natural gas still is underpriced. For these reasons, Shell supports the full deregulation of interstate gas prices.

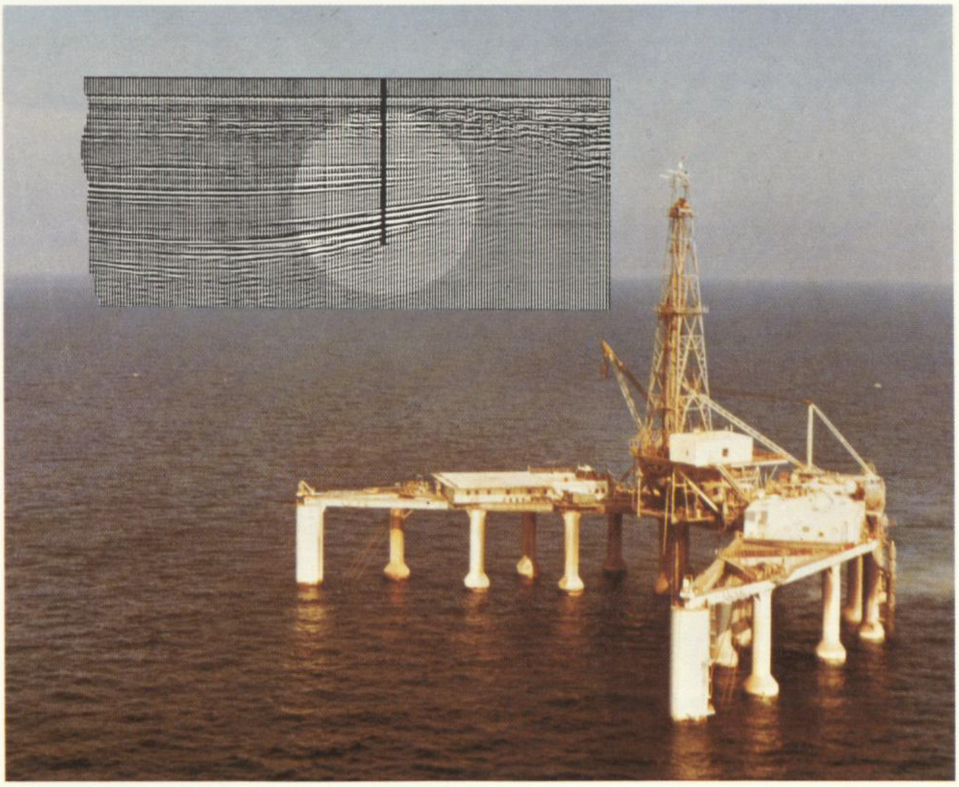
International Ventures

The Company's foreign ventures looked this way at the end of the year:

MALAYSIA — Production in the Samarang field offshore from Sabah is scheduled to start in 1975 and will be our first foreign production. This and another field in that area, Erb West, were discovered prior to 1974. The 50-50 venturers are Pecten Malaysia Company, a wholly owned subsidiary of Shell Oil, and Sabah Shell Petroleum Company Limited, a Royal Dutch/Shell company. They announced a third discovery in 1974 which, if commercial, could begin producing in about three years.

AFRICA — Pecten Cameroon Company a wholly owned subsidiary of Shell Oil, acquired a 20 percent interest from Elf-Serepca, a French company, in a 365,000-acre concession in offshore Cameroon on the African West Coast. Pecten Cameroon also obtained a 20 percent interest, plus an option to earn an additional 20 percent from Camrex, a Royal Dutch/Shell Group company, in an adjoining 180,000-acre offshore Cameroon concession. Elf-Serepca previously had discovered oil on its concession but commercial significance had not been determined. Since Pecten Cameroon joined the project, two of three wildcats and two appraisal wells have encountered oil

The longer, heavier lines circled on the seismic chart indicate so-called "Bright Spots" of hydrocarbons found in a test by this rig in the Gulf of Mexico.



This rig is drilling a series of exploratory tests for the joint venture of a Company subsidiary in the South China Sea some 190 miles south of the Republic of Vietnam. This test found encouraging shows of hydrocarbons. Some 500 miles to the southeast, a terminal under construction in the Malaysian state of Sabah will handle offshore production from the joint venture of another subsidiary. Scheduled to begin in 1975, it is the first foreign production in which Shell Oil has a share.

At right, amphibians are a vital link with remote areas of Canada's Mackenzie Delta region where a Shell Explorer-Shell Canada joint venture reported oil and gas discoveries in 1974.

and the other wildcat found gas. Commercial significance of all the discoveries is being evaluated.

Also on the African West Coast, drilling continued offshore from Gabon, with some encouraging results, and seismic work continued in Senegal. In Somalia, on Africa's east coast another wholly-owned Shell Oil subsidiary, Pecten Somalia Company, and the Italian government oil company AGIP each acquired one-third interests in a 17.9 million-acre offshore and onshore concession. Continental Oil Company, owner of the remaining one-third interest, is the operator. Wildcat drilling is expected to start in 1976.

REPUBLIC OF VIETNAM — Pecten Vietnam Company, a Shell Oil subsidiary, and its joint venturer, VN-Cities Service, encountered hydrocarbons in the first two of a planned series of offshore wildcat wells. The first well was abandoned after it was determined testing was not warranted. The second well flowed hydrocarbons from several intervals. Additional drilling is required to determine commercial prospects. Pecten Vietnam is the joint venture's operator and the drilling to date is on two of the three tracts totalling 5.6 million acres acquired in 1973. Pecten Vietnam Petroleum Company, another Shell Oil subsidiary, and Broken Hill Proprietary Company Limited of Australia, acquired a 1.25 million-acre tract for a $4 million bonus during May, 1974 in the Republic of Vietnam's second offshore lease sale.

CANADA — Shell Explorer Limited, a Shell Oil subsidiary, and Shell Canada Limited continued their joint exploration venture in the Mackenzie Delta of northern Canada at a two-rig level, confirming a gas discovery and finding oil at Niglintgak and making a new oil and gas discovery at Kumak. Production from the Mackenzie Delta depends on establishing sufficient reserves to warrant construction of a pipeline to markets. A third rig continued exploratory drilling in the Peel River area about 100 miles south of the Delta. On the Continental Shelf offshore from Nova Scotia on Canada's east coast, this same joint venture temporarily ceased own-account drilling after drilling 33 tests in a 25 million-acre area since 1969 and finding several hydrocarbon accumulations, all prior to 1974, none of which appear commercial under present conditions. To expedite further evaluation of the large block, other parties drilled six tests in 1974 to earn partial interest in various tracts in the area. Seismic and well data are being studied to determine whether additional drilling is warranted. Shell Explorer is seeking a buyer for its interests in Canada's Athabasca tar sands (see Mining Ventures, page 11).

ELSEWHERE—Drilling began on a joint venture in Peru with Amoco International Oil Company. The first well flowed oil from a thin interval at 8,900 feet, and seismic and other well data are being reviewed to evaluate its significance. In connection with the Company's one-sixteenth interest in the Maui gas field in offshore New Zealand, contracts were let for platform design and pipeline for 1975-76 activities. The production target there is about three years in the future.

The supplement includes maps of the principal areas of the Company's domestic and international exploration and production operations.

Geothermal Energy

As part of its expanded search for alternative energy supplies, Shell submitted high bids of $4.5 million for two leases totalling 3,874 acres in the "Geysers" area in California. Drilling began in the fall. Geothermal steam is used to generate electricity. The "Geysers" is the only commercial geothermal field in the U.S. It is under active development by other companies and presently has a capacity of about 500 megawatts, sufficient to supply a city of about 500,000 people.

Expanding the Energy Frontiers

In its first year, Shell's new department stresses coal development and enlarges oil shale interests

Stepping up its activities in alternative energy resources, Shell created a Mining Ventures Department in 1974 to develop interests in coal, shale oil, and heavy oil/tar. Shale leases were acquired in Colorado and developmental work progressed on a coal lease in Montana.

At the time Mining Ventures was formed, recoverable reserves in which Shell had interests included: coal, 1.3 billion tons; oil shale, 250 million barrels; heavy oil (Athabasca tar sands in Canada), 1,750 million barrels. During the year, the Company added to its shale reserves, but decided to seek a buyer for its Athabasca interests.

Here is a look, by resource, at Mining Ventures activity:

Shale Oil

Shell is participating equally with Ashland Oil, Atlantic Richfield and The Oil Shale Corporation (TOSCO) in two Colorado shale ventures for which capital spending is expected to total more than $1 billion. One is on Colorado Tract C-b for which the group submitted the high bid of $117.8 million at a federal lease sale in 1974. Estimates of shale oil recoverable by underground mining vary. The U.S. government estimates the amount at 723 million barrels. Production of upgraded shale oil at a rate of at least 50,000 barrels per day is projected to begin by the early 1980's. Environmental impact studies of the project are under way.

The other project is on private land about 10 miles south of Tract C-b. This so-called Colony Development venture had been expected to become the first commercial shale operation in the U.S. with processing and mining facilities originally scheduled to start in 1978. However, spiraling construction costs and economic and national energy policy uncertainties led the Colony group to suspend plans for starting construction on facilities to produce 45,000 barrels per day of shale oil from the area. Shell is confident that as the economy stabilizes and government energy policy makes shale oil a priority, development of this project will be encouraged.

Coal

Substantial progress has been made toward opening Shell's first coal mine on the 30,250-acre lease on the Crow Indian Reservation in southeastern Montana. In 1974, orders were placed for two large draglines, the major equipment items with longest delivery times. Core drilling was conducted to define the reserves accurately. The lease is estimated to contain 1.3 billion tons of sub-bituminous low-sulfur coal recoverable by surface mining techniques. Initial production of one million tons per year by using earth moving equipment is scheduled in 1977. In December, the Company contracted to furnish Cajun Electric Power Cooperative of New Roads, Louisiana with 80 million tons of this coal over a 20-year period beginning in 1979. By 1980, Shell hopes to be producing from the lease at the rate of some 8 million tons per year.

Shell also is acquiring leases on lignite coal reserves in the Gulf Coast region and is conducting a core drilling program. Exploration efforts are proceeding in the major coal basins of the U.S. as well. In addition to selling coal directly to electric utilities and industrial customers, Shell has a long-term interest in coal as a source of synthetic gas and liquids for premium convenience fuels and for petrochemical feedstocks.

Tar and Heavy Oil-Bearing Sands

The Athabasca venture, a 50-50 operation of Shell Oil's wholly-owned subsidiary, Shell Explorer Limited, with Shell Canada Limited, was expected to produce 100,000 barrels daily of synthetic oil from the tar sands. Shell Explorer decided to seek a buyer for its interests principally because costs were rising and the future availability of Canadian oil for export to the U.S. was becoming increasingly uncertain. We do not anticipate any loss in the disposition of this interest.

Mining Ventures is, however, continuing to explore the possibility of developing tar sands potential in the U.S.

Prospecting for coal: this core sampling operation is part of Shell's evaluation of lignite coal deposits in the Gulf Coast region.

Responding to Change and Uncertainty

Shell begins combining MTM and Chemical functions for the best long-term use of oil, money and manpower

Events of late 1973 and 1974 dramatically changed the ways oil companies must operate and created many economic and political uncertainties. Accordingly, Shell began restructuring its MTM and Chemical functions to improve overall business planning and achieve the most efficient long-term use of resources. Elsewhere in MTM, the Company introduced Super-Regular Unleaded gasoline, and Manufacturing's energy conservation program attained its savings goal announced in 1972. Marketing continued streamlining operations, emphasizing cost control and better service to customers.

The continued decline of U.S. oil and gas reserves and the vastly increased control by exporting countries over their oil caused Shell to accelerate its search for more secure raw material and product supplies. This increased dependence on imported raw materials necessitated changes in manufacturing facilities to process foreign crude oils, many of which contain more sulfur and heavier, asphaltic-type materials than domestic oils. The federal allocation programs and pricing controls exemplified increased government regulation of oil industry operations. J. B. St. Clair, Executive Vice President Shell Oil Company and President Shell Chemical Company, summed up this landmark year for Shell and the industry and set the tone for the future in this manner:

"The regulatory process was just one of many things which caused us to change our viewpoints and our operations. Events of 1974 confirmed our opinion that we will be operating in a resource-limited situation from now on. This will have overriding influence on the conduct of our downstream business in both MTM and Chemical in today's operating environment and as far as future investments are concerned. This involves making the most efficient and beneficial use of crude oil, natural gas and other resources — in short, maximizing the good they can do for the economy."

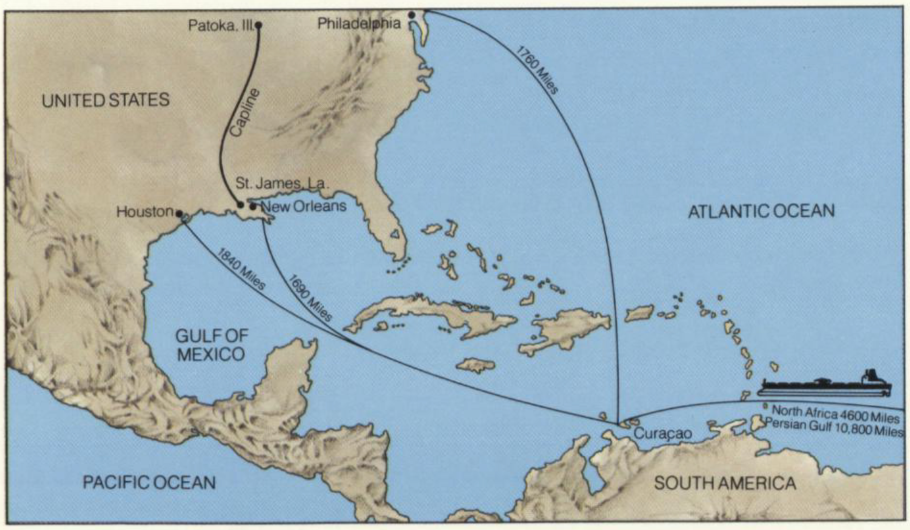
The MTM/Chemical Organization

The MTM/Chemical consolidation stems from the conclusion that an organization combining most oil and chemical activities can utilize scarce raw materials, capital resources and personnel in ways most beneficial to Shell and its customers.

Accordingly, during 1974, the administrative and operating functions of oil and chemical manufacturing were combined into one organization. Under this consolidation, refineries and chemical plants at Wilmington and Martinez, California, and Deer Park (Houston), Texas were melded into single manufacturing complexes. The engineering and research and development efforts for oil and chemical processes and products also were combined under one administration.

Transportation and Supplies

Rapidly changing economic conditions and political situations at home and abroad complicated Shell's procurement of supplies during 1974. The Company's domestic supply declined from 859,000 barrels per day in 1973 to 776,000 barrels per day in 1974, because of both a decline in domestic production and the competitive pressures of purchasing domestic oil. At the same time, Shell was required under the Federal Mandatory Crude Oil Allocation Program to sell from its total supply approximately 77,000 barrels of crude per day to other



Supertankers unload foreign oil at the Curacao Terminal (right) for shipment in smaller tankers to East and Gulf coast ports and the Capline pipeline system to the Midwest (map).

refiners. The net result was that the Company's import requirements rose from 189,000 barrels per day in the fourth quarter of 1973 to 360,000 barrels per day in the fourth quarter of 1974.

In addition, under the Federal Crude Oil Equalization Program, Shell was required for November and December to purchase from other refiners a total of some $33 million in "entitlements" for the right to process certain amounts of price-controlled "old" oil. The equalization program, enacted in December and retroactive to November 1, purported to equalize by price the distribution of old oil among the nation's refiners and marketers. The effect was to subsidize those more reliant on imported products at the expense of those having old domestic oil and no credit was given for the original investment to find and produce old oil. In those two months, Shell had more old oil in its supply than the national average for all refiners and thus had to purchase entitlements from refiners having less old oil than the average.

Under "two-tier" pricing, "old" oil—that produced at 1972 production rates—was frozen at its May, 1973 price, plus $1.35, or at an approximate industry-wide average of $5.25 per barrel. "New" oil, essentially that from new wells or that produced from old wells above 1972 production rates, has been selling at near world prices. These higher prices, of course, helped increase Shell's 1974 earnings.

The year began with U.S. oil supplies some 2.5 million barrels per day below normal demand expectations, principally because of the embargo on oil shipments to the U. S. Members of the Organization of Petroleum Exporting Countries (OPEC) had tripled foreign oil prices in December, 1973. The embargo was lifted in April but supplies remained tight while inventories around the world were restored. By mid-summer, Free World oil production had grown 3 to 4 million barrels per day above demand, with the excess going into inventories. Meanwhile, consumption worldwide was held down by high prices and conservation and later by depressed economic conditions. The high inventories and the desire to maintain high prices then led some OPEC nations to reduce production to keep it in line with consumption. By year end, OPEC countries were maintaining high prices, despite the fact that worldwide productive capacity was in excess of demand.

Under present demand projections and at current prices, Shell believes ample supplies will be available for the next few years, barring a major supply disruption. The Company is, however, to a large extent dependent on oil controlled by OPEC nations. On one hand, these countries have more oil than they can use and depend on it for the bulk of their revenue. On the other hand, they are divergent in national interests, at various stages of economic development, and have been unable to agree on a number of issues such as a common pricing policy. These factors make it important for Shell to continue to develop long-term arrangements for secure sources of supply.

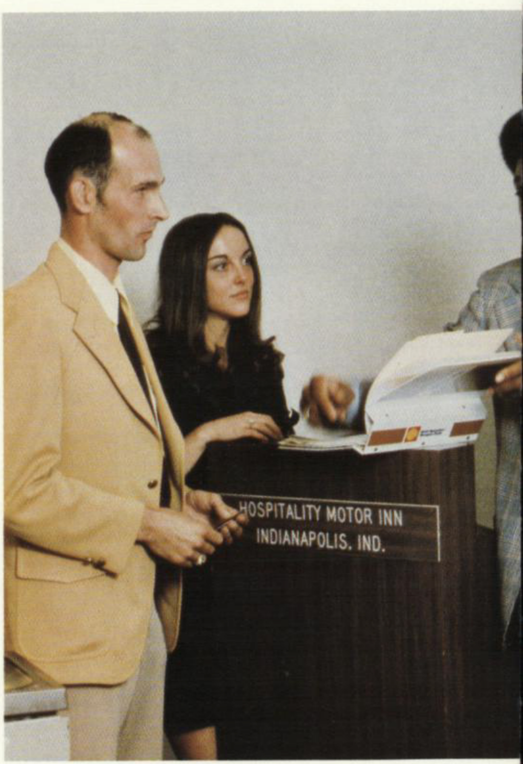
Greater reliance on foreign oil has lengthened supply lines and has led to increased use of Very Large Crude Carriers (VLCCs) with capacities of 1.5 million barrels or more. Since no U.S. port can physically receive the deep-draft supertankers they must be routed to foreign transshipment terminals, where crude is transferred to shallower-draft vessels. A wholly-owned subsidiary of Shell Oil owns one-third of the stock of a corporation which owns such a transshipment terminal in Curacao, Netherlands Antilles. It began operations in 1974. Shell also will use another transshipment terminal on Grand Bahama Island starting in 1975. Further, the Company continues to participate in SEADOCK and LOOP, the corporations organized to build and operate planned deepwater terminals off Texas and Louisiana, respectively. Shell is arranging to charter two ultra-large crude carriers (a ULCC carries some 3 million barrels of oil) which are under construction and expected to be placed in U.S. flag service by 1978.

Shell's quality assurance program for unleaded gasoline includes use of a Lead Test Kit (right) to check for lead contamination.

Bottom left: dealers are kept up to date on products and sales programs by Marketing personnel.

Lower right: high-sulfur crudes and environmental considerations necessitate sulfur recovery units like the new one at the Martinez Manufacturing Complex.

Pipeline expansion continued in 1974. The prime development was approval, for construction during the 1975-77 period, of a 195,000 barrels-per-day capacity increase in the Capline System, a vital crude oil artery from Louisiana to the Midwest in which Shell and six other companies share ownership. Shell Pipe Line Corporation owns an undivided 10.8 percent interest (equivalent to 80,000 barrels per day) in Capline's current capacity of 743,000 barrels-per-day. To be completed in 1975 is a 50,000 barrels per day expansion in which Shell will not share. Shell's share of the aforementioned 195,000 barrels-per-day expansion will be 52,000 barrels per day, thereby raising our share of the total new system capacity of 988,000 barrels per day to 13.4 percent, or 132,000 barrels per day.



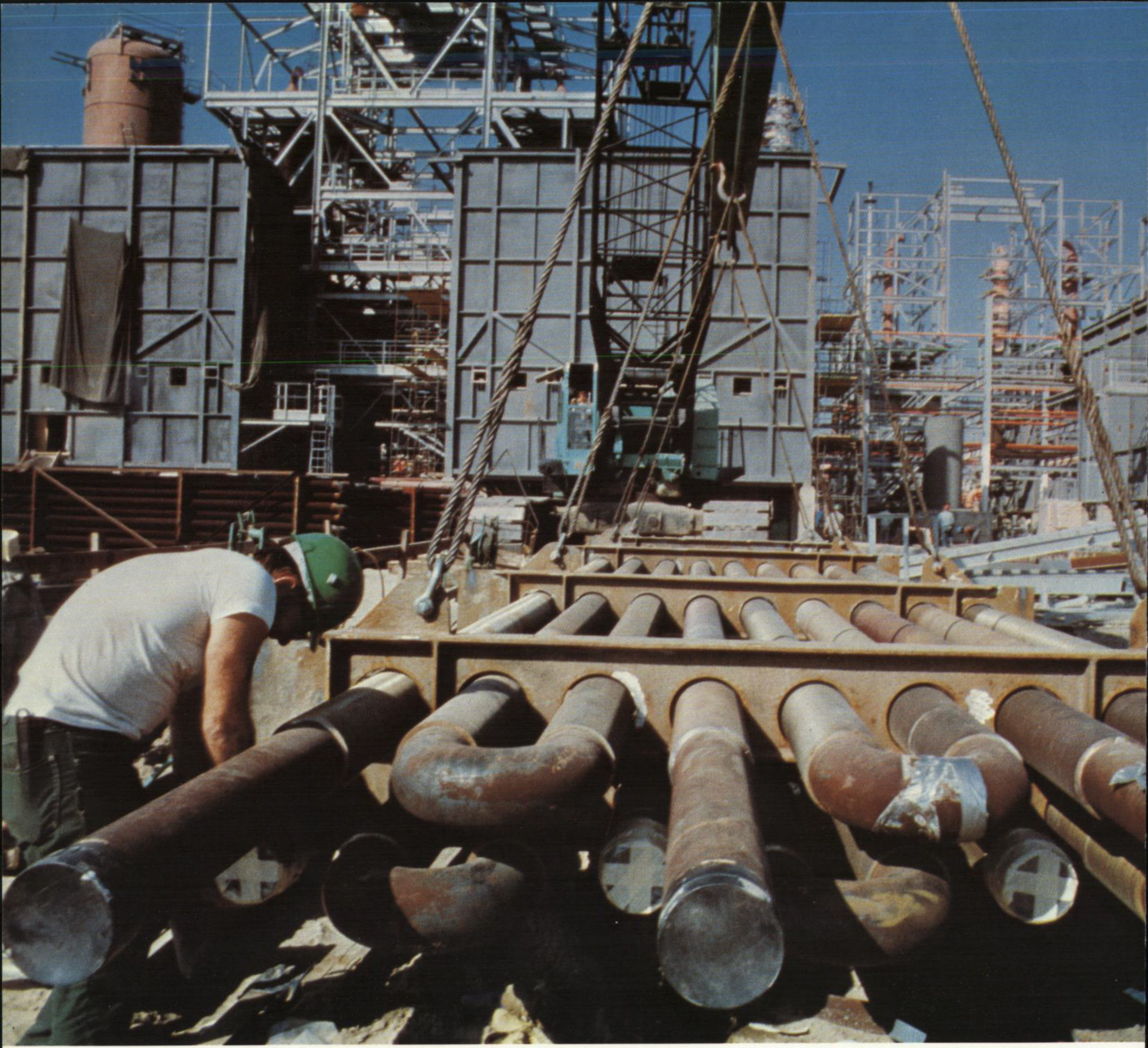
Manufacturing

Because of the worldwide crude shortage in the early part of the year and the effects of the federal crude oil allocation program mentioned earlier, intake to Shell refineries was at only 89 percent of distilling capacity. Wide adjustments

in operations were necessary to meet seasonal demands for heating oil in winter and gasoline during the summer while meeting other product demands under guidelines of the Federal Energy Administration. Chemical plants operated near capacity for all products, limited only by raw materials availability.

Higher fuel and power prices and the need to conserve oil accelerated Manufacturing's energy conservation program in 1974. A goal had been established in 1972 to reduce refinery energy requirements by 10 percent by 1976, based on 1971 production levels and energy requirements. By mid-year, Manufacturing had implemented operating efficiencies and developed capital projects that, when completed, will effect reductions surpassing this level. Energy utilization at chemical plants has improved substantially since 1971 due to economics associated with high volume production, introduction of new products which are less energy intensive and projects to conserve energy. These efforts are continuing.

Progress continued in adapting existing refineries to produce more gasoline meeting the reduced tetraethyl lead specifications of the Environmental Protection



This gasoline-olefins unit under construction at the Norco, Louisiana refinery will produce gasoline and two basic petrochemicals, ethylene and propylene, when it starts operations in 1976. It is an example of how Shell's oil and chemical manufacturing are growing together.

Left, dispatchers monitor the control center for the Capline pipeline system at St. James, Louisiana. The line is undergoing capacity expansion, and tanker docking facilities adjacent to the St. James terminal are being enlarged to permit increased deliveries of foreign crude oil.

Agency. Developmental work proceeded toward utilizing significant quantities of coal for generating steam in manufacturing facilities.

Manufacturing also directed planning and construction toward new facilities to implement the oil and chemical business plans. In addition, efforts were made toward process improvements to refine the increasing quantities of imported crude oil. Additional processing facilities are needed not only to convert these high-sulfur foreign crudes to clean products but to recover sulfur to prevent adverse effects on the environment. Among these new facilities are sulfur recovery units placed in operation in 1974 at the Martinez Complex and under construction at the Deer Park Complex. A similar program at the Anacortes, Washington refinery includes a sulfur recovery unit and a hydro-treater to remove sulfur from catalytic cracking unit feedstocks. In addition, Shell's Wood River, Illinois refinery is being modified to raise its crude oil capacity by some 30,000 barrels per day, including facilities to increase asphalt manufacture from higher sulfur residual stocks.

Again in 1974, Manufacturing devoted considerable effort and dollar investment to environmental improvement. New facilities are being added for waste disposal by incineration or biological treatment at several locations.

Oil Marketing

The year began with product shortages and the need to allocate supplies to Shell jobbers, service station dealers and wholesale customers. Dealers experienced lines of customers at service stations and, for several months, most of them reduced hours of operation and closed on Sundays. The year ended with product supplies considerably improved, but with the future fraught with uncertainties. Accordingly, Marketing continued modifying techniques and tactics to meet consumer demands in an atmosphere of constant change and increasing regulatory control by all levels of government.

Product demand and generally higher prices helped Shell achieve $4,506 million in refined products sales revenue for the year. Sales volumes averaged 1,060,000 barrels per day.

Marketing's emphasis on cost-control was exemplified by a centralization of the products distribution organization and further elimination of uneconomical service stations.

The distribution department now aligns plants into larger areas headquartered at strategic locations. This consolidates order-taking, dispatching and financial functions.

The service station construction program, halted in 1973, was revised to permit completion of those units where work had been stopped, and to allow building of some new stations to meet motorists' changing demands caused by population shifts and different traffic patterns. At the same time, Marketing disposed of 320 older service stations which had become uneconomical. In addition, the nine Oklahoma area stations owned and operated by Shell's wholly-owned subsidiary, Road Investment and Development Enterprises, Inc. (R.I.D.E.) were sold to Cardon Investment of Mesa, Arizona. These stations were and will continue to be supplied by an independent refiner. These were the only stations operated by R.I.D.E. which in turn was the only Shell Oil subsidiary not selling under the Shell trademark.

Product distribution and pricing were more strictly regulated in 1974. The Federal Emergency Petroleum Allocation Act controlled distribution to Shell customers — service station dealers, jobbers, fuel oil distributors and others. Federal controls regulated Marketing's pricing to its customers as well as the retail prices for gasoline and other products charged by independent Shell dealers. These controls substantially reduced profitability mainly because they allowed the Company to pass on to consumers by product price increases cost increases for raw materials and products purchased for resale, and then not until the month after they were incurred. Cost increases for labor, equipment, facilities and other items could not be passed along. Marketing also was adversely affected by laws in Delaware, Maryland and Florida prohibiting and/or restricting the use of company-operated service stations. The validity of these laws is being contested in the courts by the Company and others.

The Company met another major federal requirement when it marketed Super-Regular Unleaded in place of the highly popular Super-Regular Low-Lead gasoline. The unleaded product showed strong customer acceptance — particularly since it was blended to give good performance in 7 out of 10 pre-1975 cars on the road, as well as in all 1975 models which must use unleaded fuel. Also well received was a new ROTELLA®T Multigrade oil for heavy-duty gasoline and diesel trucks.

Gasoline sales promotional advertising remained suspended. Advertising expenditures instead have been aimed at preserving the Company's image and the services it performs for the public. Newspaper advertisements early in the year explained Shell's 1973 profits, the federal allocation program, and the reasons retail gasoline prices had risen. During the remainder of the year, ads under the theme, "People Working With Energy," told what Shell was doing to find, produce and supply energy, how the Company was conserving energy, and what consumers could do to conserve. On July 4, the Company began sponsoring the CBS television series "Bicentennial Minutes", nightly, prime-time one-minute segments of history occurring 200 years prior to the broadcast date. They will continue until the nation's 200th anniversary on July 4, 1976.

Shell retail facilities again received awards for design and adaptation to surroundings. These included a Shell self-service station in Los Altos, California, cited by the U.S. Department of Transportation as the outstanding example of a service station in the U.S.

A Successful Present, a Promising Future

Strong demand, higher prices and the benefits of reorganization lift Shell Chemical to another record year

Strong demand and rising prices helped Shell Chemical achieve record revenues of $1.2 billion in 1974. The year brought a return to more adequate margins and generation of cash needed to expand for a future that looks promising for chemicals. Capital spending on new chemical facilities totalled $90 million for the year.

Again, as in the previous two years, chemical demand growth outpaced the nation's general economic growth in 1974. Shell Chemical's own continued improvements resulted from such key factors as (1) the on-going program under which unprofitable operations are eliminated; (2) benefits of the 1973 reorganization of Shell Chemical into business centers responsible for performance in their specified product areas, and (3) the conspicuous improvement in the chemical industry's economic climate.

The chemical price increases over the past year or so reflect a rebound from the depressed prices of the early seventies which were due principally to overcapacity and did not yield sufficient income to support new investment. The lifting of federal price controls in early 1974 allowed prices to rise, returning business to profitable levels and covering rapidly escalating costs, particularly those of feedstocks based on crude oil.

As indicated earlier in this report, the supply outlook for hydrocarbons is uncertain. Their cost and competition for them are increasing. However, the steps Shell has taken to increase its own supply sources and reorganize its MTM and Chemical operations for optimum use of raw materials, manpower and capital are expected to enable the Company to retain its strong position in the chemical industry.

Shell Chemical remains a major factor in the markets for thermoplastic rubber, plastics, solvents, and agricultural pesticides and herbicides. It also has strengthened its major position in the basic olefins and aromatics.

Continued sales growth of BLADEX® herbicide for controlling weeds in cornfields such as this one has necessitated a new manufacturing facility.

The KRATON® and newer KRATON G Thermoplastic Rubbers — both developed by Shell research — found growing acceptance in 1974. KRATON G's durability has helped widen its use in the automotive industry and for such other products as medical devices and garden hose. A special grade of KRATON G, known as ELEXAR*, is used for electrical wire and cable coating. Demand for KRATONs has led to construction of a new manufacturing unit which started up in 1974 at Marietta, Ohio.

Shell's polystyrene and polypropylene plastics business operated at maximum capacity most of the year. In addition to remaining strong in the traditional appliance, housewares, packaging and recreational markets, polystyrene is being used increasingly for such things as tape casettes and furniture and in the construction industry. Shell is doubling its polystyrene capacity at Marietta, Ohio bringing production to some 300 million pounds by 1977. Despite some softening in demand toward the end of the year, sales of polypropylene for textiles, automobiles and many other uses were strong during 1974.

In the agricultural chemical field, sales of BLADEX® herbicide, highly effective in controlling weeds in corn, were limited only by insufficient production capacity. This will be remedied by construction of a 50-million-pounds-per-year unit at Mobile, Alabama to manufacture BLADEX and other triazine herbicides. BLADEX is unique among these herbicides in that it does not persist in the soil, allowing other crops to be planted after corn harvest without injury to those crops. Markets for other agricultural chemicals such as AZODRIN® and NEMAGON® continued strong.

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*Shell Trademark

Shell is appealing in federal court the Environmental Protection Agency's suspension of the use of two insecticides, ALDRIN® and DIELDRIN®, on corn and certain other crops. While the suspension involves a relatively small portion of Shell's sales, some $10 million yearly, the Company views the principal issue involved as critical. That issue is: did the EPA exceed its authority in applying an unprecedented standard which could affect hundreds of industrial and agricultural chemicals in widespread use.

In the consumer products area, Shell Chemical entered the aerosol field with four insecticides featuring a CHILD PROTECTOR-TOP® designed to prevent younger children from activating the spray.

The Company maintained its position as a leading producer of solvents and of epoxy resins (under the brand name EPON®) for surface coatings, adhesives and structural plastics. Construction will begin late in 1975 on two new facilities at the Deer Park Manufacturing Complex to produce phenol and bisphenol-A, chemical intermediates used primarily in the production of epoxy resins. Shell Chemical remains one of the largest producers of detergent alcohols and detergent derivatives (brand name NEODOL®) basic to the soap and detergent industry. A new unit to manufacture detergent alcohols and detergent olefins is scheduled for completion at Geismar, Louisiana in 1976. The unit, embodying the results of nine years of research, will be unique in its ability to produce detergent olefins.

No points, no sharp edges, no hard corners. Toys that are safe, strong and bounce back into shape are being made of KRATON® Thermoplastic Rubber.

The Company continued to strengthen its overall business in olefins and aromatics. A major gasoline-olefins unit, under construction at Norco, Louisiana, and scheduled to start up in early 1976, will produce 750 million pounds a year of ethylene, a basic building block chemical for manufacture of plastics, antifreeze and synthetic fibers.

Shell has more than 20 percent of the installed U.S. industry capacity for vinyl chloride monomer (VCM), the raw material for polyvinyl chloride (PVC), a widely used plastic.

Early in 1974, vinyl chloride monomer was first implicated as a cause of human cancer. Most cases have been associated with workers in plants which convert the monomer into the intermediate solid plastic polymer, polyvinyl chloride.

Because of earlier concerns arising from preliminary animal exposure tests, Shell and others in the vinyl monomer industry already had begun monitoring exposures and controlling them to levels well below the requirements then in effect. Shell also had initiated medical surveillance examinations for VCM workers. These efforts were reinforced promptly upon discovery of the human cases. There has been extensive cooperation with all government investigations, including the supply of a large volume of information to help develop appropriate regulatory standards.

A Balanced Effort and New Horizons

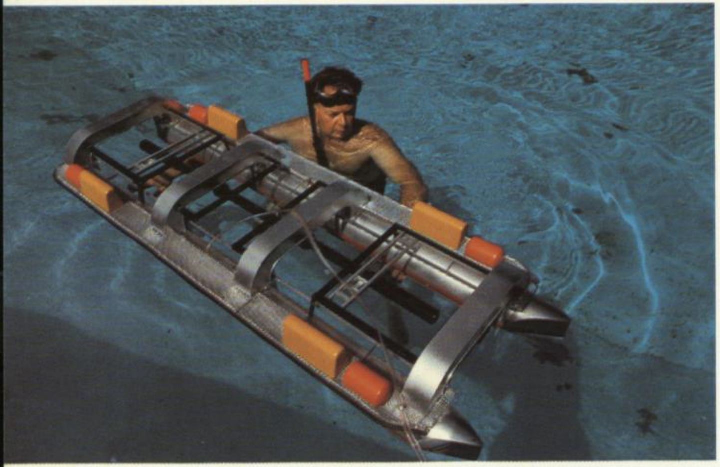
Efforts enhance energy development, improve gasolines and lubricants, and produce chemical advances

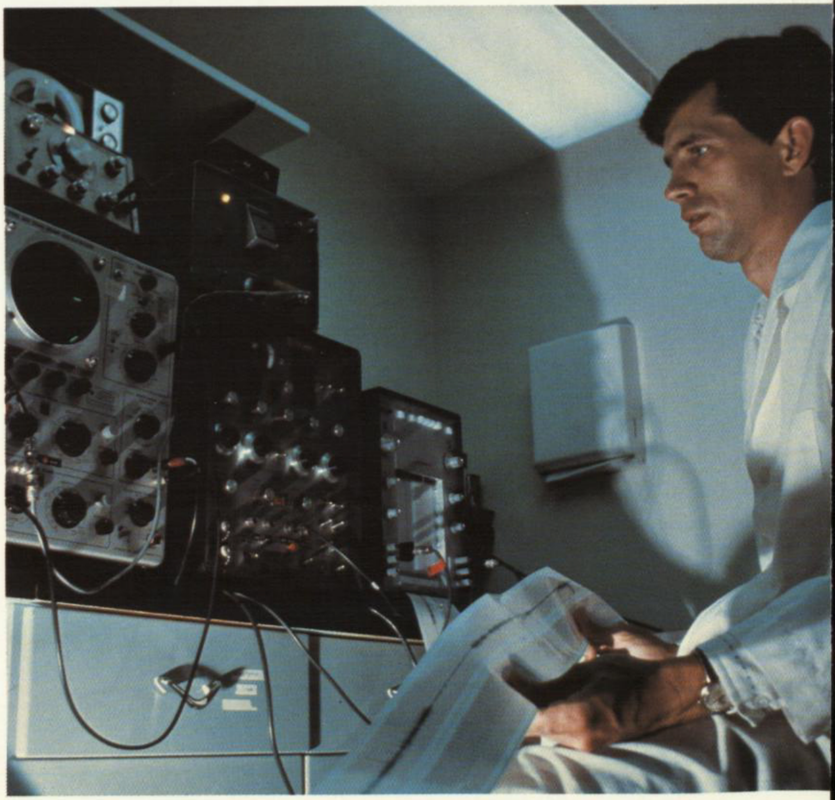
Methods to find and produce more crude oil and speed the development of alternative energy sources—Improvements in motor gasoline and lubricants for trucks and industry—New chemical products and processes to increase food production and meet changing consumer demands—Improved environmental safeguards.

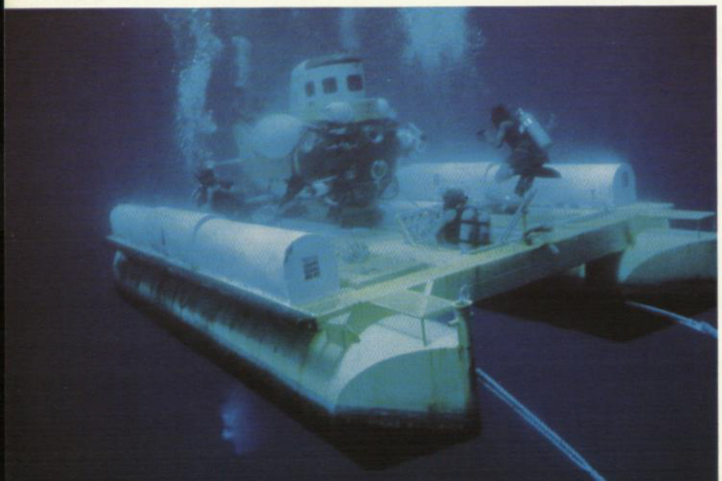
These were highlights of a balanced, wide-ranging research effort in 1974 administered by Shell Development Company and for which the Company spent $81 million. This effort embodied the broad goal of Shell research which is to develop new technology to (1) satisfy the needs of consumers, (2) meet new requirements resulting from changes in laws and regulations, and (3) improve our competitive position.

Because of the current energy and economic situations, an essential objective of our research is obtaining more domestic energy in an environmentally acceptable manner at reasonable cost. This includes new techniques for locating and producing oil and natural gas, generating energy from non-petroleum sources and conserving energy in the manufacture of our products.

Top and bottom left: As the search for oil and gas moves to the deeper offshore areas, Shell researchers are developing an unmanned vehicle to connect and repair pipelines in water as deep as 3,000 feet, beyond the practical working depths of divers. Center: An insect activity monitor shows what happens to the physical movement of insects when treated with an insecticide. Right: Most of the Company's research groups will move to this new facility on Houston's western edge in mid-1975.







Here are examples of Shell research completed in 1974 or continuing:

EXPLORATION AND PRODUCTION—Research in exploration is contributing to the development of seismic systems that enable the geophysicist to map geological formations in finer detail. Other ongoing projects are seeking to improve seismic interpretations through greater use of computer video displays, both conventional and in color. In production research, a large effort continues on a variety of supplemental recovery processes with a number of field tests underway and more planned. Earlier research in sand consolidation and well stimulation technology has undergone additional field testing with encouraging results.

ALTERNATIVE ENERGY SOURCES—Efforts center on coal and oil shale. Coal research involves improving its suitability as a fuel, finding new ways to transport it, and making coal more environmentally compatible. As regards shale, ways are being explored to reduce the high cost and energy requirements associated with current shale oil recovery processes.

MTM PRODUCTS AND PROCESSES—Research in 1974 produced a new industrial grease called DOLIUM® and improvements in the well-received ROTELLA® heavy-duty truck motor oil. It also contributed to the development of Shell's Super-Regular Unleaded gasoline introduced in 1974 and to the improved performance of Shell gasolines in general.

In the process area, work is essentially complete on a method to further reduce the escape to the atmosphere of fine particles from catalytic cracker units. Testing continues on recovering gasoline vapors during the transfer from terminals to tank trucks and from pumps to vehicles. And progress has been made in the connection and repair of pipelines by means of an unmanned vehicle that can work in water as deep as 3,000 feet. Also being tested are improved booms for controlling oil spills in fast-moving streams.

CHEMICALS—Developmental work was completed in 1974 on a product to improve the yield of pigs and help them gain weight faster. In this same area, a new product is being developed to increase the growth rate of cattle. Elsewhere, a recently completed program will enhance our capability to produce high quality detergent alcohols for the soap and detergent industry. Research also continues in KRATON® Thermoplastic Rubbers, in the high-impact plastics polystyrene and polypropylene, and in the development of new insecticides and herbicides.

Shell's new Houston research center, scheduled to open in mid-1975, is expected to improve the overall efficiency of the research effort. It will bring together most of the Company's major research groups in a multi-building facility containing 700,000 square feet of space and housing some 1,200 employees.

Shell and a subsidiary of Shell Petroleum N.V. continue their arrangement whereby each performs for, and exchanges with the other, research activities related to petroleum technology, chemicals and other fields.

Shell, People and the Public Interest

This section deals with our social performance in a year of complex energy problems and public malaise

The breadth of public interest in the Company is reflected in the many expectations individuals and groups have concerning our corporate performance as it affects them and their interests. These people include 32,000 Shell employees, 19,000 independent service station dealers and jobbers, 32,000 shareholders, and millions of customers. In addition, numerous local, state and federal governmental agencies, news media, the financial community and public interest groups critically review our performance. We try to give balanced consideration to the interests of all these individuals and groups by integrating social as well as technical and economic considerations in our decision-making.

Again in 1974, public pressures emphasized that people's first expectation is for the Company to do its basic job well — that is, provide its full share of needed products. While other sections of the report review our intensified efforts to do this, this one reviews some related dimensions of social performance.

Consumer Relations

In a year of double digit inflation, consumer satisfaction was an unending challenge. Although supplies of gasoline and fuel oil became adequate following the lifting of the Arab embargo, the four-fold increase in world crude oil prices led to record high product prices in the U.S. Shell's oil product price increases were in accord with federal regulations which allowed us price increases based on increased prices of crude oil, and products we purchase for resale.

A corporate-wide review of Shell responses to consumer needs and expectations resulted in *The Shell Consumer Relations Code,* published with an analysis of consumer issues and a summary of our consumer practices. This publication was issued to Shell people to encourage sensitivity to consumer expectations and consumer-oriented decision-making.

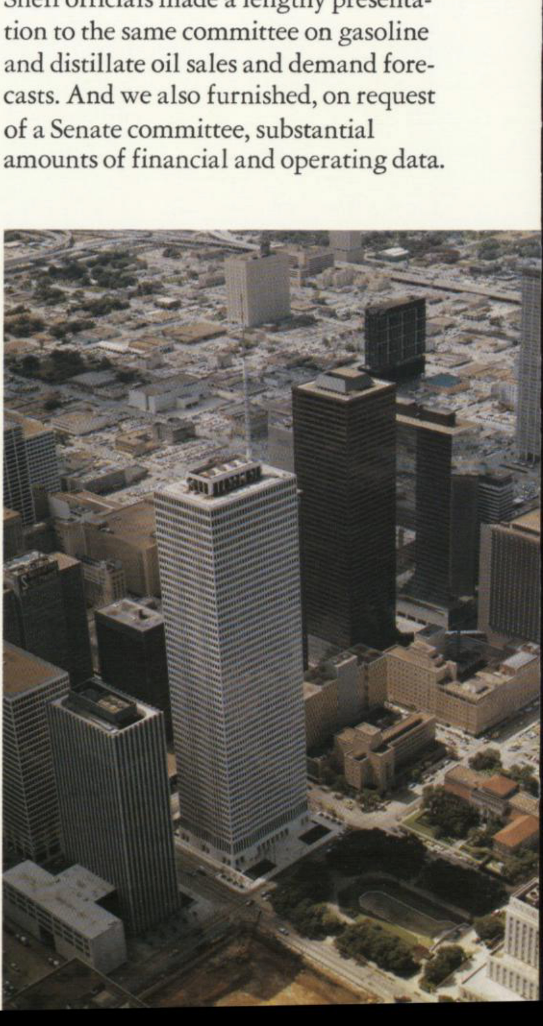
The newly established Market Research and Consumer Relations Department, together with Public Affairs, established a special group to respond to consumer complaints and public inquiries. Also, a Technical Products Information Center was created to provide a nationwide, toll-free telephone system to handle technical questions from consumers and Shell dealers. In addition, the Company continued the toll-free phone service, Shell "Actionline", to answer customer credit inquiries.

Disclosure of Company Information

In 1974, local, state and federal governments vastly increased their requirements for information on the energy situation and corporate activity. We assigned special staff in several departments to handle the large volume of requested material. Officers and technical representatives spent unprecedented amounts of time testifying and presenting to Congress and government agencies information concerning our operations and suggestions for helping solve current and future energy problems.

For example, President Harry Bridges accepted an invitation to appear with officers of other U.S. oil companies before a Senate committee seeking information about supply and industry finances.

Shell officials made a lengthy presentation to the same committee on gasoline and distillate oil sales and demand forecasts. And we also furnished, on request of a Senate committee, substantial amounts of financial and operating data.



One Shell Plaza, Houston, is our corporate headquarters. About one-third of our 32,000 employees now live in the Houston area as a result of organizational and geographical consolidations over the past five years.

Such presentations were in addition to the large and increasing amount of disclosure of corporate information legally required.

Shell management also increased its voluntary response to news media and public inquiries. This concept of openness is based on the conviction that untrue allegations of corporate malpractices are more likely to be dispelled by prompt disclosure of relevant information than by silence or general denials. In line with this concept, we wrote to publishers of some major U.S. newspapers promising that we would provide information to editors and reporters to help them prepare articles about current energy problems. A number of papers and other media requested and have been provided interviews and pertinent information.

Informing Shell's "Constituents"

Shell management endeavored to face up to the many evidences of distrust of public and private institutions, particularly as they applied to the Company. In addition to responding to public inquiries, we initiated opportunities to inform those involved or concerned with the Company's business activities.

Officers and managers undertook an expanded speakers' program throughout the states where Shell operates to explain various aspects of the energy situation. District retail and commercial marketing personnel gave more than 2,800 speeches, presentations and media interviews. Special briefings of news media, community leaders, legislators and administrators were substantially increased. Also, special publications on oil products supply, energy conservation and environmental protection were widely distributed to leadership groups.

Employee Relationships

The pace of events and change in 1974 created a strong need to improve the two-way flow of communication between management and employees at all levels. We therefore embarked upon an intensified program of communications with small group meetings as the primary vehicle. The program is designed to foster a better understanding of Company objectives, problems, and opportunities and to encourage employees to voice their ideas, questions and concerns freely.

Charles Parker Jr., Senior Vice President, Shell Companies Foundation, and Doris O'Connor, Foundation Corporate Secretary, review plans for contributions by the foundation.

Major organizational changes and geographical consolidations which have been taking place principally in Houston since about 1970 continued in 1974, as described in earlier sections. Along with achieving economies and increased operating effectiveness, these changes have begun to reduce the need for Shell people and their families to move.

The widespread effects of inflation led the Company to grant two 6 percent wage and salary adjustments, one in the May-June period to employees generally and one in December to most employees except those covered by collective bargaining agreements. Employees in this last category as well as a few others tied to local or regional industry patterns generally received appropriate adjustments.

Our continuing interest in our 12,000 pensioners was reflected in establishment of a Manager of Pensioner Services as a communication focal point. Significant retirement benefit improvements were implemented for both active and retired employees. Effective December 1, the Shell Pension Plan was revised, subject to certain approvals, to provide larger pensions for regular and early retirements.

In the second quarter, a one-year program of quarterly supplementary payments to pensioners was implemented to include all who retired before 1973. Primarily because of inflation this program was amended October 1 to increase benefits and expand eligibility to all who retired on pension before December 1, 1974.

To conserve gasoline and reduce traffic congestion, we established programs to assist employees in the formation of car pools and at a number of locations, adopted flexible working hours. Building lighting and heating and cooling levels were modified as energy conservation measures.

Equal Opportunity

In seeking a work force representative of the nation's working population, both in numbers and skill levels, we emphasize the recruitment and upgrading of women and minorities and endeavor to improve their utilization. For example, as a part of its regular responsibility, each department plans the specific number of women and minorities it seeks to employ and upgrade over a given period of time.

A particularly difficult challenge is the extremely limited availability of women and minority graduates for the high percentage of technical positions in a company such as Shell. The overall percentage of minorities in our work force has increased since special programs were started seven years ago from 5.2 percent to 11.3 percent with the largest portion of these gains coming in non-technical or non-professional job categories. Minorities in college-level professional jobs have increased from 2.9 percent to 4.9 percent during the same period, even though staff reductions due to consolidations were taking place. The percentage of female employees has remained fairly constant at about 16 percent overall and at about 3.5 percent in college-level professional positions. Women are moving into higher-paying jobs—some of them managerial—and also into non-traditional areas, particularly in field operating positions. Overall recruitment of professionals was increased to assure levels of professional and managerial talent required by business plans.

Occupational Safety and Health

Continuing dedication to employee safety and health is reflected in the expansion and strengthening of programs to prevent injury and illness, meeting public and employee expectations in these matters and complying with changing federal, state and local regulations.

In 1974, organizational structure in these areas was strengthened with the appointment of a head office manager of employee safety in Marketing. In Manufacturing, health expertise was added to the traditional safety function and the activity was enhanced by establishment of a head office safety and health department.

The continuing safety efforts further decreased injuries in all functions except Marketing where a substantial increase in lost time injuries brought the Company total to 391, compared to 329 in 1973. Seven employee injuries resulted in fatalities. This is of great concern to the Company and every effort is being made to avoid such tragedies. The new Marketing Head Office safety activity is expected to reduce the injuries to Marketing personnel.

Implementation of a company-wide occupational health program was well along by the end of the year. It emphasizes health education, periodic physical examinations, immunizations and close medical surveillance of employees with jobs in which potential health hazards may exist.

Two staff physicians were added in 1974 and nursing staff service and medical facilities were expanded at a number of Shell locations. During the year, employees began to avail themselves of the free medical reexamination program, and those employees exposed to potentially hazardous materials were given health surveillance checkups.

J.B. St. Clair, Executive Vice President and several hundred other Company representatives explained energy problems and what Shell is doing about them.

Environmental Protection

Air and water conservation, noise abatement and other pollution controls remain basic to our current operations and future plans. Annual capital spending and operating expenditures in these areas reached $70 million in 1972 and have continued at about that level. Major projects in 1974 included:

- Vapor control equipment at 19 marketing and transportation and supply locations on an additional 2 million barrels of product storage.
- Vapor recovery equipment at 1,575 service stations in areas where such recovery is required.

Shell employees are involved in community activities. Here, Fred Culbreth, Atlanta District marketing engineer, entertains handicapped children.

- Continued upgrading of equipment and procedures for oil spill prevention and cleanup.
- Shell Claus Off-Gas Treating (SCOT) process facilities at three refineries to remove virtually all residual sulfur compounds from plant emissions.
- Shell Flue Gas Desulfurization (SFGD) facilities on two coal-fired boilers.
- Incinerators to destroy organic wastes by an environmentally sound process at three chemical plants.
- Facilities for biological treatment of effluent at three chemical plants.
- Electrostatic precipitators to further reduce emissions from two catalytic cracking units.
- At-sea incineration of chemical wastes with no adverse effects on the environment.

Shell received the 1974 Business & Industry Award of Keep America Beautiful, Inc., for environmental conservation efforts, including a joint conservation program with the General Federation of Women's Clubs. The Company was praised particularly for "informing the public about environmental problems and encouraging positive action to enhance the quality of life." Shell also was one of three double winners for outstanding environmental achievements in competition sponsored by *The Environment Monthly.*

Community Relations and Minority Economic Development

Shell recognizes that part of its responsibility is to help communities where it operates achieve social improvement and economic development. For example, we recruit and train minority persons for careers as service station dealers. As with our employee force, our goal here is for the number of our minority dealers to reflect the percentage of minority people in the nation as a whole. At year's end, the Company had 961 minority persons among its 8,598 independent retailers, excluding Hawaii.

Top left: This ship burned Shell chemical wastes in the Gulf of Mexico. Top right: R. D. Zentner (standing), a manager in Planning and Economics, debates environmentalist Barry Commoner. Bottom left: Connecticut District Manager Herb Hewitt (right) discusses proposed legislation. Bottom right: preparation of "Benefacts", yearly reports to employees on the status of their Shell benefits.

Elsewhere in its minority economic development program, Shell now maintains deposits totalling $2.0 million in 50 minority-owned banks nationwide. We have participated for 2 years in a New Orleans Minority Enterprise Small Business Investment Corporation (MESBIC) which has made loan commitments or disbursements totalling $1.1 million to minority-owned businesses. And in its third year of operation, Shell's Minority Vendor Program generated purchases of $4.9 million in 1974 from minority-owned companies, compared to $4.0 million in 1973.

The Shell-sponsored Automotive Professional Training (APT) program, designed to encourage students through their interest in cars to finish high school, is now in 62 schools and 3 correctional institutions. Of 1,347 students who completed the course in 1974, 50 percent plan to continue their education and 19 percent have found employment at service stations.

Shell Companies Foundation, Incorporated

Recognizing that educational, social and cultural institutions expect support by corporations, the Shell Companies Foundations, Incorporated, a not-for-profit corporation, was formed in 1953. The Foundation contributes to education, community funds and national and local organizations working at meeting such needs as those related to equal opportunity, health, family services, art and religion. In the area of educational support, the Foundation in 1974 contributed to an interdisciplinary environmental program. It continued or increased its support to education programs for women designed to improve their career opportunities; to scholarships for minority students planning careers in business or technical fields; and to urban studies, the humanities, occupational health, law and the social sciences. In 1974, the Foundation's budget was $2.6 million, bringing its total contributions from 1953 through 1974 to $36.3 million.

Directors and Officers

BOARD OF DIRECTORS

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President, Royal Dutch Petroleum Company

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Executive Vice President

H. BRIDGES
President and Chief Executive Officer

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A Director, Lehman Brothers, Incorporated
(Investment Bankers)

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General Foods Corporation

CHARLES de BRETTEVILLE
Chairman of the Board and Chief Executive
Officer, The Bank of California National
Association

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Retired Chairman of the Board and
Chief Executive Officer,
United Aircraft Corporation

S. M. McASHAN, Jr.
Chairman of the Board,
Anderson, Clayton & Co. (Vegetable Oil Processors)

SIR FRANK McFADZEAN
Chairman of the Board, The "Shell" Transport
and Trading Company, Limited

HAROLD F. McGUIRE
Member, Law Firm of Wickes, Riddell,
Bloomer, Jacobi & McGuire

J. B. ST. CLAIR
Executive Vice President
President, Shell Chemical Company†

MONROE E. SPAGHT
A Director, Royal Dutch Petroleum Company

J. E. WALLACE STERLING
Chancellor, Stanford University

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H. BRIDGES
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J. B. ST. CLAIR

MEMBERS OF THE AUDIT COMMITTEE

WILLIAM BLACKIE
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S. M. McASHAN
HAROLD F. McGUIRE

MEMBERS OF THE EXECUTIVE COMPENSATION COMMITTEE

CHARLES de BRETTEVILLE
WILLIAM P. GWINN
HAROLD F. McGUIRE
J. E. WALLACE STERLING

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President

J. F. BOOKOUT
Executive Vice President

J. B. ST. CLAIR
Executive Vice President
President, Shell Chemical Company†

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Production

R. H. NANZ
Exploration

E & P Regions

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International Ventures

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Western

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Southern

Mining Ventures

K. DOIG

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Research & Engineering

S. G. STILES

Marketing

J. B. HENDERSON

W. J. BITTLES, Jr.
Retail Sales

E. F. LOVELAND
Commercial Sales

Business Centers and Sales, Shell Chemical Company†

J. W. ELGER

Employee Relations

A. C. HOGGE

Finance

J. G. WACKWITZ

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G. S. WOLBERT, Jr.

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Public Affairs

H. E. WALKER
J. C. PERKINS
Washington Office

Purchasing and General Services

R. J. BAUER

Tax

D. R. MILTON

Shell Development Company†

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President

J. D. HELDMAN
Vice President

R. C. THOMPSON
Controller

W. W. WESTERFIELD, Jr.
Secretary

V. G. WHITTINGTON
Treasurer

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†A Division of Shell Oil Company
‡Manufacturing-Transportation & Supplies-Marketing

The Shell Information Center in Houston performs information and computer functions formerly handled by six data centers.

Executive Changes

J. F. Bookout was elected Executive Vice President and a Director, following the retirement of J. F. Redmond after 38 years of service. Mr. Bookout returned to Shell Oil after resigning as President and a Director of Shell Canada Limited.

In the restructured MTM/Chemical organization, C. L. Blackburn, Vice President and General Manager, Transportation and Supplies Planning, became Vice President in charge of Transportation and Supplies, succeeding S. G. Stiles. Mr. Stiles became Vice President on special assignment in MTM/Chemical. J. W. Sheehan was placed in charge of all manufacturing functions as Vice President Manufacturing, and P. F. Deisler was given charge of consolidated research and engineering as Vice President Research and Engineering. Mr. Deisler formerly was a Vice President in Shell Chemical Company.

These other changes in the Company's senior management occurred in 1974:

J. W. Elger, Vice President Shell Chemical, became Vice President in charge of Business Centers and Sales for Shell Chemical.

J. B. Henderson became Vice President in charge of Marketing upon retirement of F. H. Staub after 37 years of service. Mr. Henderson had been Vice President and General Manager Products and Planning.

G. S. Wolbert Jr., Vice President and Associate General Counsel, became Vice President and General Counsel, succeeding O. L. Stone, who retired after a Shell career of 37 years.

J. C. Threet became Vice President in charge of the Southern Exploration and Production Region, succeeding R. J. O'Brien who resigned to become a Vice President of Shell Canada Limited. Mr. Threet returned to Shell Oil from Shell Canada where he was Vice President Exploration and Production.

Financial Review

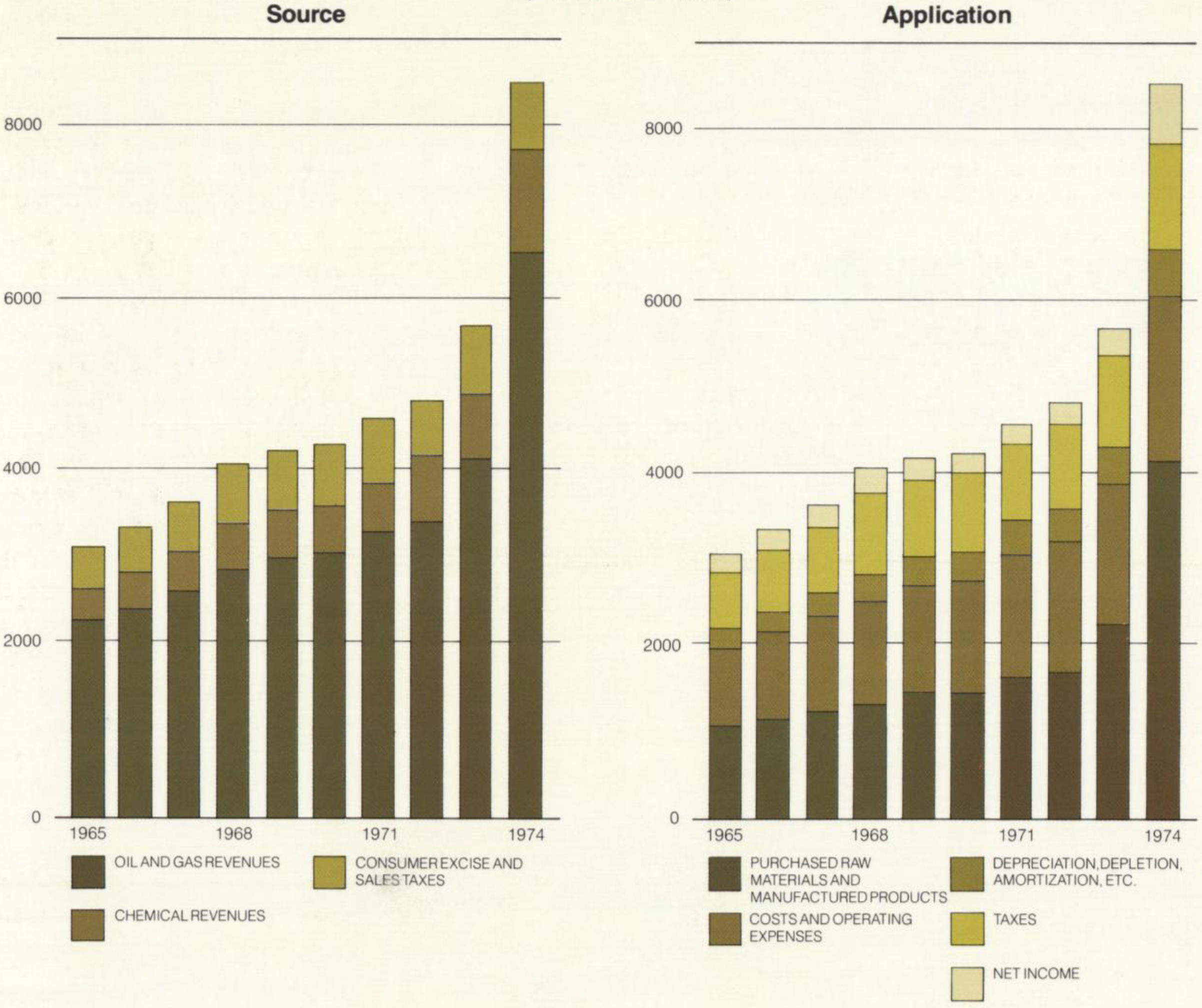
An extraordinary combination of economic and political factors influenced Shell's financial results in 1974. They included sharply higher crude oil prices, federal pricing controls, the Mandatory Crude Oil Allocation Program, the effects of both inflation and recession on the general economy and raw material shortages during the first half of the year. The presence of all these forces was unprecedented and affected 1974 results in such a way as to distort comparison with other periods.

Shell's net income, buoyed chiefly by higher prices for domestic crude oil and chemical products, reached a record $620.5 million, or $9.21 a share, 87 percent above 1973's $332.7 million, or $4.94 a share.

But as earnings rose significantly in 1974, so did the Company's capital spending, totalling $929.2 million, 60 percent higher than in 1973. Most of the spending was associated with the search for crude oil and natural gas and for the development of coal and geothermal energy. On mineral leases alone, Shell spent $310.5 million in 1974, and that bought only the right to explore for and develop resources. If economically recoverable reserves are found, production and associated costs will far exceed the lease acquisition expenditures. Substantial funds also will be needed for major expansions of manufacturing facilities and to develop the Montana coal lease and other energy projects discussed elsewhere in this report. The level of capital spending in 1974 reflected the rising costs of mineral leases and the effect of inflation on current costs in general.

A more realistic evaluation of 1974 results is obtained by viewing them over the past 10 years rather than comparing them with 1973 alone. In the nine years preceding 1974, income grew at an average annual rate of 5 percent and total capital invested has grown at 9 percent. For the first five years of the decade,

Revenues—Source and Application (Millions of Dollars)



economic conditions were relatively stable and net income generally increased along with investment. In the 1970-72 period, however, earnings each year were below those of the preceding three years. Thus, while the earnings recovery in 1973 and 1974 was most welcome, it still was not sufficient to lift the average return on total capital invested for the past five years up to the level for the first half of the decade (see chart page 1).

Substantial amounts of cash will be required to arrest and reverse the decline in the nation's energy self-sufficiency. Most of that cash must be internally generated. Because of inflation, depreciation provisions based on historical cost are inadequate to replace plants and facilities. Net income, therefore, must provide a growing share of this internally-generated cash.

Analysis of Income Statements* 1974 vs. 1973

Total revenues, reflecting the pass-through of raw material cost increases permitted under federal regulations, rose to an all-time high of $8.5 billion, 48 percent above the previous high of $5.7 billion registered in 1973. Most of the price adjustments increased revenues without benefiting net income since they represented dollar-for-dollar pass-through of higher prices for raw materials processed and products purchased by the Company. Earnings, however, did benefit from the increased value of Shell's own produced crude oil, recovered in refined products revenue, and from price improvements in chemicals and natural gas. In addition, income from dividends, interest and other sources increased by a total of $26 million over 1973, mainly because of higher interest income on short-term securities.

Partly offsetting these benefits were (1) a 7 percent decline in crude oil and natural gas liquids production attributed to older wells and (2) a 7 percent decrease in refined product sales volumes reflecting raw material shortages and the public's conservation efforts.

Costs of purchased raw materials and manufactured products increased $1,992 million from 1973 primarily because of higher raw material prices, up an average of $7.65 a barrel for foreign crude oil and $2.54 a barrel for domestic crude oil. Other costs and operating expenses were $185 million or 17 percent higher than in 1973, mainly because of increased labor and fuel costs and transportation costs associated with foreign purchases. Also, operating taxes increased by $44 million over 1973, primarily because of higher taxes on raw materials production, and federal and other income taxes rose by $179 million, due to the higher taxable income. The total of depreciation, depletion, amortization and retirements, including dry holes, increased mainly because of accelerated exploration for crude oil and natural gas.

1973 vs. 1972

Some of the forces which influenced 1974 results had begun to take effect in the second half of 1973. Consolidated net income in 1973 increased 28 percent over 1972. A major reason was the improvement in chemical sales volume. Other important factors were the increased sales volumes and improved selling prices of refined products, and higher domestic crude oil prices. Except for the increase in own produced crude oil prices, all product price increases by the Company in 1973 were limited to recovering higher purchased material costs already incurred. Interest income increased from 1972 mainly due to higher interest rates.

In 1973, purchased raw material and manufactured products were higher primarily as a result of increased prices for foreign crude oil. Federal and other income taxes increased $39 million, reflecting the greater taxable income. The increase in the total of depreciation, depletion, amortization and retirements, including dry holes, reflected expanded exploration.

Price Level Adjusted Financial Information

The nation's high rate of inflation has caused concern over the adequacy of traditional accounting and financial reporting procedures. Conventional financial statements reflect the historic flow of dollars without regard to changes in the purchasing power of the currency. Because of this, Shell has prepared supplementary financial information adjusted for changes in the general price level. Summarized price level financial information for the years 1974, 1973 and 1972, and the related report on them by the Company's independent accountants, Price Waterhouse & Co., appear in the Annual Report Statistical Supplement.

While the inroads of inflation affect most all the financial data, the impact on revenues and depreciation is particularly noteworthy. When refined product sales revenues are viewed on a constant dollar basis, unit revenues gradually declined from 1953 to 1972 by 34 percent providing true savings to the consumer. In 1973 and 1974 prices rose sharply because of factors previously mentioned. However, much of the recent increase was only recovery of the higher prices of purchased crude oil and refined products from which Shell neither benefited nor was it able to control. Excluding pass-through of increased costs of purchased crude oil and refined products, the 1974 price per unit was 15 percent below the prices prevailing in 1953 on a constant dollar basis. The inadequacy of historical cost depreciation to reflect the cost of fixed assets in terms of current dollars is clearly indicated in that 1974 earnings are reduced $151 million when depreciation is expressed in current dollars. The holding of "monetary" liabilities such as debt or payables in excess of monetary assets such as cash or receivables results in a monetary gain. Such monetary gains in 1973 and 1974 about offset the negative impact of other items so that net income in current dollars is relatively unchanged. There is nevertheless significant impact on investment ratios. The historical return on shareholders' equity of 20 percent in 1974 is reduced to 14 percent. Similarly, return on total capital is reduced from 16 percent to 12 percent when all items are price-level adjusted.

**Five-year comparative statements of income appear on page 39.*

Accounting Policies

This summary of the major accounting policies of Shell Oil Company and its consolidated subsidiaries (hereinafter referred to as "Shell") is presented to assist the reader in evaluating Shell's financial statements and other data contained in this report. In all material respects, Shell has consistently followed these policies for the five year period covered by this annual report, and for the ten year period covered by the statistical supplement. Originally reported net income has not been revised or restated.

Principles of Consolidation

The financial statements include the accounts of Shell Oil Company (hereinafter referred to as "Company") and all of its wholly owned subsidiaries. All companies acquired have consistently been accounted for as purchases; goodwill, if any, is amortized over a period of benefit which has not exceeded ten years.

The only subsidiary of Shell not wholly owned is Butte Pipe Line Company (51% owned), and the investment therein, plus the investments in less than majority owned companies in which Shell has a voting stock interest of 20% or more, are carried at equity in underlying net assets. Investments in less than 20% owned companies are carried at cost with dividends recorded in income as received.

Short Term Securities

Short term securities are carried at cost which approximates market. Interest is accrued and reflected in dividends, interest and other income.

Inventories

Inventories of oils and chemicals are valued at cost on a last-in-first-out basis. Materials and supplies are carried at average cost or less.

Mineral Leasehold Costs

Direct cost of acquiring undeveloped acreage, generally called lease bonus, is capitalized. Amortization from date of acquisition is based upon experience in establishing rates to fully amortize over the holding period those leases that may be unproductive. The cost of leases which become productive is transferred to a producing property account.

Exploratory Costs

Exploratory expenses, including geological and geophysical expenses, annual delay rentals on oil and gas leases and all exploratory and development dry hole costs are charged to income as incurred.

Research

Expenditures for research, except for land, buildings and standard items of equipment utilized beyond the immediate life of a project, are expensed when incurred.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization of the capital cost of producing properties, both tangible and intangible, are provided for on a unit of production basis. Developed reserves are used in computing unit rates for tangible and intangible development costs and proved reserves for depletion of leasehold costs. In all cases the unit determination is by field. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. On a cycle basis asset lives are reviewed for propriety of estimated useful life. Changes in depreciation rates, if any, are prospective only. Differing rates or deductions are used for tax purposes.

Maintenance, Repairs and Retirement of Properties

Major renewals and betterments are charged to the property accounts while minor replacements, maintenance and repairs which do not improve or extend life are expensed currently. At the time properties are retired or otherwise disposed of in the normal course of business, the cost is charged against the accumulated provision; however, if the retirement relates to a casualty or material obsolescence, the loss or gain is reflected in current income.

Non-Mineral Leases

Obligations under noncancellable leases and other contractual commitments are reflected in the Notes to Financial Statements.

Income Taxes

Items of income or income deductions are often recognized for payment of income taxes and for book purposes in different time periods; however, tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 adjusts book income to eliminate the effect of all material book/tax timing differences.

For those differences pertaining to capital extinguishments, including intangible drilling and development costs deducted currently for tax purposes, tax deferment is computed by applying the current tax rates to the current difference in deduction. The net cumulative effect is reflected in Deferred Credits—Federal Income Taxes in the Balance Sheet.

For other timing differences tax deferment is computed by setting up initial differences at current tax rates and reversing these amounts in the appropriate subsequent period. The net cumulative effect of the latter is reflected in Receivables, Prepayments, Etc. in the Balance Sheet.

Investment tax credits are applied to reduce federal income taxes in the year realized.

Statement of Income and Retained Earnings

Revenues	YEAR 1974	YEAR 1973
Sales and other operating revenue (including consumer excise and sales taxes)	$8,418,327,000	$5,701,135,000
Dividends, interest and other income	74,640,000	48,431,000
	8,492,967,000	5,749,566,000
Costs and Expenses		
Purchased raw materials and manufactured products	4,256,760,000	2,264,903,000
Costs and operating expenses	1,256,806,000	1,071,777,000
Selling, general and administrative expenses	530,701,000	503,154,000
Income, operating and consumer taxes:		
Consumer excise and sales taxes	784,872,000	817,327,000
Operating taxes	179,078,000	135,465,000
Federal and other income taxes	300,577,000	121,771,000
Depreciation, depletion, amortization and retirements, including dry holes	502,851,000	441,695,000
Interest and discount amortization on indebtedness	60,783,000	60,780,000
	7,872,428,000	5,416,872,000
Net Income	620,539,000	332,694,000
Net income per share: 1974—$9.21 and 1973—$4.94 per share based on weighted average shares outstanding of 67,396,952 and 67,365,167 respectively.		
Retained Earnings at Beginning of Year	2,287,791,000	2,116,801,000
	2,908,330,000	2,449,495,000
Cash dividends paid: 1974 — $2.45 and 1973 — $2.40 per share	165,121,000	161,704,000
Retained Earnings at End of Year	$2,743,209,000	$2,287,791,000

The notes on pages 34, 35, 36 and 37 are an integral part of these statements.

Balance Sheet

ASSETS	DECEMBER 31, 1974	DECEMBER 31, 1973
Current Assets		
Cash	$ 20,776,000	$ 62,851,000
Short term securities	599,065,000	383,542,000
Receivables, prepayments, etc. less 1974—$26,173,000 and 1973—$25,239,000 allowance for doubtful accounts	945,471,000	894,780,000
Owing by affiliated companies	18,404,000	5,218,000
Inventories of oils and chemicals	392,540,000	322,944,000
Inventories of materials and supplies	95,929,000	43,776,000
Total Current Assets	2,072,185,000	1,713,111,000
Investments and Long Term Receivables	116,013,000	91,628,000
Properties, Plant and Equipment at cost less accumulated depreciation, depletion and amortization	3,905,309,000	3,526,924,000
Deferred Charges	35,377,000	49,501,000
	$6,128,884,000	$5,381,164,000

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable—trade	$ 575,696,000	$ 472,868,000
Commercial notes and short term borrowings	38,000,000	20,000,000
Other payables and accruals	176,967,000	193,309,000
Income, operating and consumer taxes	339,246,000	234,185,000
Owing to affiliated companies	127,889,000	50,374,000
Long term debt due within one year	14,788,000	10,860,000
Total Current Liabilities	1,272,586,000	981,596,000
Long Term Debt Less Unamortized Discount 1974—$640,000 and 1973—$723,000	976,621,000	1,000,865,000
Deferred Credits—Federal Income Taxes	319,982,000	303,628,000
Shareholders' Equity		
Common stock, authorized 80,000,000 shares of $1.00 par value, issued 1974—67,569,618 and 1973—67,558,118 shares at stated value	234,146,000	234,135,000
Amount in excess of common stock stated value	583,360,000	583,306,000
Retained earnings	2,743,209,000	2,287,791,000
	3,560,715,000	3,105,232,000
Less shares of common stock held in treasury at cost: 1974—20,997 and 1973—192,880	1,020,000	10,157,000
Total Shareholders' Equity	3,559,695,000	3,095,075,000
	$6,128,884,000	$5,381,164,000

The notes on pages 34, 35, 36 and 37 are an integral part of these statements.

Statement of Changes in Financial Position

Funds Provided

	YEAR 1974	YEAR 1973
Net income	$ 620,539,000	$332,694,000
Depreciation, depletion, amortization and retirements	410,155,000	369,078,000
Dry hole costs (included in capital expenditures)	92,696,000	72,617,000
Deferred credits—federal income taxes (related to write-offs)	16,355,000	10,735,000
TOTAL PROVIDED FROM OPERATIONS	1,139,745,000	785,124,000
Increase in long term debt	19,550,000	11,454,000
Investments, long term receivables and deferred charges (less amounts included in capital expenditures)	19,975,000	10,047,000
Property sales, salvage, etc. (net)	17,775,000	36,291,000
Issuance or sale of Company shares	12,584,000	10,163,000
TOTAL	$1,209,629,000	$853,079,000

Funds Applied

	YEAR 1974	YEAR 1973
Capital expenditures including dry hole costs	$ 929,248,000	$580,581,000
Dividends paid	165,121,000	161,704,000
Purchase of Company shares	3,382,000	11,045,000
Decrease in long term debt	43,794,000	36,158,000
	1,141,545,000	789,488,000
Increase (decrease) in working capital:		
Cash and short term securities	173,448,000	64,081,000
Receivables and prepayments	63,877,000	41,407,000
Inventories	121,749,000	11,528,000
	359,074,000	117,016,000
Payables and accruals	(182,001,000)	(32,277,000)
Income, operating and consumer tax liabilities	(105,061,000)	(23,387,000)
Long term debt due within one year	(3,928,000)	2,239,000
	68,084,000	63,591,000
TOTAL	$1,209,629,000	$853,079,000

The notes on pages 34, 35, 36 and 37 are an integral part of these statements.

Notes to Financial Statements

1. ACCOUNTING POLICIES

Certain information relative to accounting policies is presented on page 30 of this report.

2. GENERAL

Shell continued in 1974 to have transactions, including the purchase, sale and transportation of crude oil, petroleum and chemical products in the ordinary course of business, with subsidiaries of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, parent companies of Shell Oil Company. Such transactions have taken place at a profit to Shell. The revenues and costs related to these transactions are commingled with other revenues and costs and the amount of profit thereon is not determinable without effort and expense disproportionate to the importance of such amount. Transactions with such affiliated companies also included certain foreign venture arrangements with respect to the exploration for and development of crude oil and natural gas, and a one-third stock ownership interest in a Netherlands Antilles transshipment terminal venture.

3. INVENTORIES OF OILS AND CHEMICALS

Inventories of oils and chemicals used in computing costs for 1974 and 1973 totaled $392,540,000 and $322,944,000 at December 31, 1974 and 1973, and $316,948,000 at January 1, 1973. The carrying value of inventories at December 31, 1974 and December 31, 1973 was approximately $516,000,000 and $223,000,000, respectively, lower than current cost.

5. OPERATING AND INCOME TAXES

	Year	
	1974	1973
Operating Taxes:		
Real and personal property	$ 63,262,000	$ 56,996,000
Oil and gas production	66,207,000	33,965,000
Social security	25,066,000	19,357,000
Other	24,543,000	25,147,000
	$179,078,000	$135,465,000
Federal and Other Income Taxes:		
U. S. Federal		
Current*	$258,114,000	$112,680,000
Deferred	17,975,000	(1,353,000)
	276,089,000	111,327,000
Foreign-Current	773,000	792,000
State and Local	23,715,000	9,652,000
	$300,577,000	$121,771,000

Total income tax expense for the years 1974 and 1973 was equivalent to an effective tax rate of 32.6% and 26.8%, respectively, of earnings before income taxes. The reasons for the difference between these rates and the U. S. statutory rate were as follows:

U. S. statutory tax rate	48.0%	48.0%
Depletion less minimum tax	(14.7)	(17.5)
Investment tax credit	(1.7)	(3.9)
Other	1.0	.2
	32.6%	26.8%

*After deducting investment tax credits of $15,500,000 in 1974 and $17,908,000 in 1973.

4. PROPERTIES, PLANT AND EQUIPMENT

	1974 Capital Expenditures		Investment December 31, 1974			Investment December 31, 1973		
	Amount	%	Cost	Net	%	Cost	Net	%
			(Thousands of Dollars)					
Exploration and Production:								
Producing properties (incl. drilling)	$309,808	33	$3,254,483	$1,379,319	35	$2,992,855	$1,236,408	35
Unproven leaseholds	310,474	34	401,685	306,105	8	240,935	181,914	5
Other facilities	7,807	1	56,310	19,520	—	53,731	17,184	—
Oil and Chemical Manufacturing Facilities	149,025	16	2,118,664	1,126,981	29	1,990,343	1,053,648	30
Service Stations	11,613	1	696,913	539,121	14	722,355	576,556	16
Other Marketing Facilities	20,930	2	269,288	140,282	4	259,040	129,653	4
Pipelines	43,012	5	424,484	208,869	5	403,798	201,232	6
Other Transportation Facilities	4,098	—	35,820	26,305	1	31,760	24,258	1
Miscellaneous Facilities	72,481	8	204,888	158,807	4	141,310	106,071	3
Total	$929,248	100	$7,462,535	$3,905,309	100	$6,836,127	$3,526,924	100

6. RECEIVABLES, PREPAYMENTS, ETC.

The receivables comprised trade accounts of $791,132,000 and miscellaneous accounts of $96,042,000 at December 31, 1974 and $749,100,000 and $99,351,000, respectively, at December 31, 1973. The allowance for doubtful accounts increased a net of $934,000 during 1974 and $2,987,000 in 1973 which included provision, charged to income, of $25,697,000 and $28,583,000 offset by write-off of $24,763,000 and $25,596,000, respectively, for uncollectible receivables less cash collections of receivables previously written off.

7. INCENTIVE COMPENSATION PLAN

Under the 1971 Incentive Compensation Plan, the Board of Directors may make incentive compensation awards to key employees (including officers and directors who are key employees) of the Company or of any of its wholly owned subsidiaries. These awards, in the aggregate, shall not exceed 2½% of the amount by which the adjusted net income of the Company and consolidated subsidiary companies for the year (as defined in the Plan) shall exceed 6% of the capital employed by the Company and such subsidiary companies during that year (as so defined). The provision for awards, which is made and charged against income for the current year in anticipation of awards for such year to be made the following year, amounted to $2,100,000 in 1974 and $1,800,000 in 1973. Awards in 1974 and 1973 to key employees totaled $1,618,000 and $1,285,000, respectively.

8. PENSION PLANS AND PROVIDENT FUND

The Shell Pension Plan covers the regular full-time employees of the Company and its principal subsidiary, Shell Pipe Line Corporation. The sums regularly contributed to the Shell Pension Plan and charged against income by the participating companies under the Plan are calculated as a percentage of the payrolls and are determined each year by the boards of directors of the participating companies on a basis which gives due consideration to accepted actuarial principles. During 1974, the Shell Pension Plan was amended to provide additional benefits to participants of the Plan. In addition, changes were made in actuarial assumptions for increases in salary scales and extended pensioner mortality rates, and for amortizing unfunded prior service cost. Shell's contribution to the Plan in 1974 was increased by $25,600,000 as a result of such changes.

The Supplemental Pension Plan has been provided to equate approximately the pension benefits of Senior Staff (consisting of certain officers and other high-ranking employees), required in ordinary course to retire at age 60, to the amounts they would have received had they been permitted to continue to work at final salary rates to the normal retirement age of 65 under the Shell Pension Plan. Charges against income under this Plan are also based on actuarial principles.

The Shell Provident Fund is open to regular full-time employees of the Company and its principal subsidiary after stated periods of service. An employee may elect to have a permissible percentage of his salary or wages paid into the Fund whereupon the employing company contributes a like amount out of current or accumulated earnings or profits. Eligible participants can direct that all or part of their employing company's current contributions to the Provident Fund be invested in the common stock of the Company (the Shell Stock Fund). During 1974, such common stock investments, amounting to $31,813,000 represented 679,232 shares of which 646,800 shares were purchased on the New York Stock Exchange and 32,432 were shares transferred among individual accounts within the Shell Stock Fund. During 1973, such common stock investments, amounting to $29,886,000 represented 552,579 shares of which 516,400 shares were purchased on the New York Stock Exchange and 36,179 were shares transferred among individual accounts. The Fund held 3,874,221 shares of the Company's common stock at the end of 1974 and 3,415,784 shares at December 31, 1973.

The aggregate cost to the Company and its principal subsidiary of the Shell Pension Plan, Supplemental Pension Plan and Shell Provident Fund was $89,621,000 for 1974 and $57,474,000 for 1973. The cost for the Shell Pension Plan includes annual provisions to amortize unfunded prior service costs totaling $187,693,000 over periods up to twenty-nine years from December 31, 1974.

9. RESEARCH AND DEVELOPMENT

Research and development expenses charged against income in 1974 and 1973, excluding depreciation and retirements, amounted to $77,740,000 and $62,124,000, respectively. Depreciation and retirements amounted to $3,348,000 in 1974 and $11,391,000 in 1973.

10. INCENTIVE STOCK OPTION PLANS

At December 31, 1974, 229,000 shares of the Company's authorized but unissued common stock were reserved under the Plans, adopted in 1965 and in 1971, for sale to key employees, of which 88,000 shares were available for future options under the 1971 Plan.

Notes to Financial Statements (Cont.)

Changes during 1974 were as follows:

	Shares Under Option	
	1965* Plan	1971 Plan
Outstanding Jan. 1, 1974 (of which 108,500 were exercisable)	63,500	94,000
Granted at average price of $46.14 per share	—	18,000
Expired or cancelled	(21,000)	(2,000)
Exercised at average price of $43.33 per share	(9,500)	(2,000)
Outstanding Dec. 31, 1974 (of which 115,000 were exercisable)	33,000	108,000

*The 1965 Plan was terminated in 1971 without affecting outstanding options.

Under the 1971 Plan the Board of Directors may grant qualified or non-qualified options to key employees (including officers and directors who are key employees) of the Company or any of its wholly owned subsidiaries at not less than the fair market value of the stock at the date of the grant. Non-qualified options issued under the 1971 Plan will not afford optionees the special income tax advantages provided under the Internal Revenue Code of 1954 in the case of qualified options.

Generally, options under the Plans have not and may not be granted at less than the fair market value at the date of grant, may not be exercised within eighteen months of issuance and expire not later than five years from the date of grant for qualified options, and ten years for non-qualified options. Qualified options are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954.

11. COMMERCIAL NOTES, SHORT TERM BORROWINGS

Shell had commercial notes and short term bank borrowings of $21,000,000 and $17,000,000, respectively, outstanding at December 31, 1974. The average interest rates at December 31, 1974 were 8.9% for the commercial notes and 10.4 % for the short term bank loans. At December 31, 1973, Shell had $20,000,000 of short term bank loans outstanding at an average interest rate of 9.9%. Shell had no commercial notes outstanding at the end of 1973.

The maximum amounts of commercial notes and short term bank loans outstanding at the end of any month during 1974 and 1973 aggregated $84,500,000 and $34,200,000, respectively. The average amounts outstanding for such obligations during the years 1974 and 1973 amounted to $35,900,000 and $22,200,000 at an average interest rate of 10.6% and 7.6 %, respectively. The averages were determined by using the average of the amounts outstanding at the end of each month.

12. LONG TERM DEBT

Long term debt due after one year consisted of the following:

	December 31	
	1974	1973
Shell Oil Company:		
Non-interest bearing loans due 1976 through 1983	$ 36,779,000	$ 38,825,000
5% Notes Due 1980 (secured by purchase money mortgage)	16,750,000	16,750,000
4⅝% Sinking Fund Debentures Due 1986, after deducting $34,585,000 and $20,071,000 principal amounts of debentures held in treasury at December 31, 1974 and 1973	110,415,000	134,929,000
4½% Notes Due 1990	120,000,000	125,000,000
5% Debentures Due 1991	125,000,000	130,000,000
5.30% Debentures Due 1992 after deducting $5,407,000 and $5,370,000 principal amounts of debentures held in treasury at December 31, 1974 and 1973	129,593,000	134,630,000
8½% Debentures Due 2000	150,000,000	150,000,000
7¼% Debentures Due 2002	200,000,000	200,000,000
Shell Pipe Line Corporation:		
7½% Guaranteed Sinking Fund Debentures Due 1999	60,000,000	60,000,000
Shell Explorer Limited:		
Non-interest bearing loan due 1981	28,724,000	11,454,000
	977,261,000	1,001,588,000
Less unamortized discount	640,000	723,000
Long term debt less unamortized discount	$ 976,621,000	$1,000,865,000

Of the foregoing long term debt due after one year from December 31, 1974, $29,206,000 principal amount will be due in 1976, $44,886,000 in 1977, $32,415,000 in 1978 and $37,456,000 in 1979.

At December 31, 1973,Shell Pipe Line Corporation had outstanding $20,000,000 in short term bank loans to be refinanced in 1974. Such amount previously included under long term debt has been reclassified to current liabilities.

13. LEASED ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Rental expenses covering service stations, buildings and other facilities, excluding delay rentals paid to retain mineral rights in undeveloped leaseholds, amounted to $52,901,000 in 1974 and $50,223,000 in 1973. These amounts are net of sublease rental income amounting to $56,324,000 in 1974 and $60,749,000 in 1973. Estimated net contingent rental income based on usage or sales amounted to $32,626,000 and $36,572,000, respectively.

At December 31, 1974, the minimum annual amounts including taxes, insurance and maintenance payable under noncancellable leases and other contractual commitments totaled:

	Service* Stations	Buildings	Barges & Tankers	Other Facilities	Total
		(Thousands of Dollars)			
1975	$ 35,451	17,737	40,935	27,298	$121,421
1976	$ 32,691	16,258	26,584	22,094	$ 97,627
1977	$ 30,604	15,340	10,433	17,043	$ 73,420
1978	$ 28,722	14,856	7,659	5,799	$ 57,036
1979	$ 27,002	13,860	7,629	2,631	$ 51,122
1980-84...	$105,490	56,932	28,578	1,505	$192,505
1985-89...	$ 51,928	36,416	7,629	1,478	$ 97,451
1990-94...	$ 8,661	21,074	484	80	$ 30,299
Thereafter.	$ 563	2,448	—	186	$ 3,197

*Before deduction of related sublease rental income. Future income from continued renewals of such subleases is expected to substantially offset rental commitments.

The present (discounted) value of the above commitments in the aggregate, after excluding taxes, insurance and other amounts not constituting payments for property rights, approximated $419,724,000 at December 31, 1974.

At December 31, 1974, Shell was committed to expend under agreements with subsidiaries of the Royal Dutch/Shell Group $50,087,000 (Canadian) for exploration work on non-producing oil and gas interests in Canada, and $27,388,000 for exploration and development work on oil and gas interests in Malaysia. Shell is seeking a buyer for its interests in the Athabasca tar sands held jointly with Shell Canada Limited.

Under long term agreements with certain pipe line companies in which stock interests are held, the Company may be required to advance funds against future transportation charges in the event such companies are unable to meet their financial obligations.

Shell has no commitments or contingent liabilities which, in the judgment of the Management, would result in losses which would materially affect its financial position.

14. OTHER MATTERS

Shell and certain other petroleum companies have been named as defendants in a number of civil antitrust actions brought against it by federal or state agencies which allege violations of federal and state monopoly and restraint of trade statutes. The various types of relief sought in such actions include the divestiture of certain segments of Shell's operations. Shell is unable to predict the outcome of these actions, but believes they can be successfully defended; however, certain adverse decisions in such actions could have a significant effect on the scope and nature of its operations. Final judicial determination of these actions is expected to take a number of years.

The operations and earnings of Shell are subject to federal regulations governing crude oil and petroleum prices, crude oil allocation and cost recoveries. They may, from time to time, also be affected by, among other things, tax changes, changes in conditions under which oil may be imported into the United States, incentives or deterrents to the discovery or development of new or additional sources of oil, gas and other raw materials, pollution control and environmental conservation. Shell is unable to measure the effects such factors may have on future operations and earnings.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Shell Oil Company:

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of changes in financial position present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1974 and 1973 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

1200 Milam Street
Houston, Texas 77002
February 4, 1975

Five Year Review of Financial and Operating Data

FINANCIAL DATA (Dollars in thousands except per share amounts)	1974	1973	1972	1971	1970
STATEMENT OF INCOME					
Revenues					
Sales and other operating revenue					
Refined oil products	$4,506,126	2,819,397	2,307,897	2,199,015	2,079,077
Chemical products	1,139,862	722,908	623,962	539,813	509,284
Crude oil	1,534,090	999,483	826,599	829,195	730,581
Natural gas	237,463	194,361	191,863	201,378	172,459
Other operating revenue	215,914	147,659	125,577	122,972	98,145
TOTAL	7,633,455	4,883,808	4,075,898	3,892,373	3,589,546
Dividends, interest and other income	74,640	48,431	32,368	32,537	31,334
Consumer excise and sales taxes	784,872	817,327	741,570	698,865	709,867
TOTAL REVENUES	8,492,967	5,749,566	4,849,836	4,623,775	4,330,747
Costs and Expenses					
Purchased raw materials and manufactured products	4,256,760	2,264,903	1,693,295	1,642,414	1,482,858
Costs and operating expenses	1,256,806	1,071,777	989,685	929,378	862,751
Selling, general and administrative expenses	530,701	503,154	489,788	460,392	426,669
Income, operating and consumer taxes:					
Consumer excise and sales taxes	784,872	817,327	741,570	698,865	709,867
Operating taxes	179,078	135,465	136,212	128,097	130,615
Federal and other income taxes	300,577	121,771	82,578	61,604	71,284
Depreciation, depletion, amortization and retirements (including dry holes)	502,851	441,695	396,805	410,535	369,408
Interest and discount amortization on indebtedness	60,783	60,780	59,423	47,986	40,090
TOTAL COSTS AND EXPENSES	7,872,428	5,416,872	4,589,356	4,379,271	4,093,542
Net Income	$ 620,539	332,694	260,480	244,504	237,205
CAPITAL AND EXPLORATORY EXPENDITURES					
Exploration and production (including dry holes)	$ 628,089	297,113	367,812	228,640	289,951
Oil and chemical manufacturing facilities	149,025	114,394	71,884	77,539	145,525
Marketing facilities	32,543	68,866	92,576	99,681	143,296
Pipelines and other transportation facilities	47,110	56,648	26,098	17,726	24,237
Miscellaneous facilities	72,481	43,560	32,533	26,924	31,816
TOTAL CAPITAL EXPENDITURES	929,248	580,581	590,903	450,510	634,825
Exploratory expenditures (charged to income)	136,081	110,662	98,644	92,634	82,619
TOTAL CAPITAL AND EXPLORATORY EXPENDITURES	$1,065,329	691,243	689,547	543,144	717,444
SHAREHOLDER AND OTHER DATA					
Net income per share*	$ 9.21	4.94	3.86	3.63	3.52
Cash dividends per share	$ 2.45	2.40	2.40	2.40	2.40
NYSE market price at year-end†	$ 46¾	67⅞	54⅞	47¼	47⅜
Shares outstanding at year-end (in thousands)	67,549	67,365	67,399	67,393	67,385
Shareholders' equity	$3,559,695	3,095,075	2,924,968	2,826,003	2,742,975
Shareholders' equity per share	$ 52.70	45.94	43.40	41.93	40.71
Cash and short term securities	$ 619,841	446,393	382,312	189,735	233,149
Long term debt (less unamortized discount)	$ 976,621	1,000,865	1,025,569	836,783	835,788
OPERATING REVIEW (thousands of barrels daily)					
Refined products sold	1,060	1,136	1,068	1,020	1,005
Refinery processing intakes	1,030	1,085	1,001	966	912
Net crude oil and natural gas liquids produced	586	631	638	629	595
Net natural gas produced (million cubic feet daily)	2,050	2,268	2,460	2,542	2,548

**Per weighted average share outstanding each year.*

†For 1974 and 1973 quarterly market price and dividend data see page 14 of Shell's 1974 Annual Report Statistical Supplement.

Shell Oil Company Operations and Facilities

CORPORATE HEAD OFFICE

One Shell Plaza—Houston, Texas

Houston Information Center	Houston, Texas
Credit Card Center	Tulsa, Oklahoma
Technical Computing Center	Houston, Texas

EXPLORATION AND PRODUCTION

Region Offices

International Ventures	Houston, Texas
Southern	New Orleans, Louisiana
Western	Houston, Texas

International Exploration Areas

- Offshore Nova Scotia
- Mackenzie Delta, Canada
- Athabasca and Peace River Tar Sands, Canada
- East Central Peru
- Gabon, West Africa
- Senegal, West Africa
- Vietnam
- Sabah, Malaysia
- West Irian, Indonesia
- New Zealand

Domestic Exploration Areas

- Williston Basin, Montana, North Dakota
- Northern Michigan Basin
- Northern Appalachian Region—Pennsylvania and New York
- Albuquerque Basin—New Mexico
- Central Mississippi
- Central Florida
- Offshore Louisiana and Texas
- Eastern Gulf of Mexico
- Sacramento Basin, California
- Gulf of Alaska

MANUFACTURING

Complexes

Deer Park Complex	Deer Park (Houston), Texas
Martinez Complex	Martinez, California
Wilmington Complex	Wilmington, California

Refineries

Anacortes Refinery	Anacortes, Washington
Ciniza Refinery	Gallup, New Mexico
Norco Refinery	Norco, Louisiana
Odessa Refinery	Odessa, Texas
Wood River Refinery	Wood River, Illinois

Chemical Plants

Denver Plant	Denver, Colorado
Geismar Plant	Geismar, Louisiana
Marietta Plant	Marietta, Ohio
Mobile Plant	Axis, Alabama
Norco Plant	Norco, Louisiana
Princeton Plant	Princeton, New Jersey
Woodbury Plant	Woodbury, New Jersey

TRANSPORTATION AND SUPPLIES

Operations Offices

East of Rockies	Houston, Texas
West of Rockies	Los Angeles, California

MARKETING

Commercial and Retail District Offices

- Anaheim, California
- Atlanta, Georgia
- Babylon, New York
- Baltimore, Maryland
- Birmingham, Alabama
- Boston—Wellesley, Massachusetts
- Charlotte, North Carolina
- Chicago—Des Plaines, Illinois
- Cleveland—Middleburgh Heights, Ohio
- Dallas, Texas
- Davenport—Bettendorf, Iowa
- Dayton—Miamisburg, Ohio
- Detroit—Southfield, Michigan
- Grand Rapids, Michigan
- Hartford—E. Hartford, Connecticut
- Honolulu, Hawaii
- Houston, Texas
- Indianapolis, Indiana
- Long Beach, California
- Louisville, Kentucky
- Los Angeles—Burbank, California
- Milwaukee—Brookfield, Wisconsin
- Miami—Hollywood, Florida
- Nashville, Tennessee
- Newark—Clifton, New Jersey
- New Orleans, Louisiana
- New York—New Hyde Park, New York
- Oakland, California
- Philadelphia—Valley Forge, Pennsylvania
- Phoenix, Arizona
- Portland, Oregon
- Providence—Cranston, Rhode Island
- Richmond, Virginia
- Sacramento, California
- San Bernadino, California
- San Diego, California
- San Francisco—San Mateo, California
- San Jose, California
- Santa Monica—Culver City, California
- Seattle—Bellvue, Washington
- Southern California—Downey, California
- St. Louis—St. Ann, Missouri
- Syracuse, New York
- Tampa, Florida
- Washington, D.C.—College Park, Maryland
- White Plains, New York

Chemical Sales Offices

- Atlanta, Georgia
- Charlotte, North Carolina
- Cleveland, Ohio
- Downey, California
- East Orange, New Jersey
- Houston, Texas
- Kansas City, Missouri
- Memphis, Tennessee
- Oak Brook, Illinois
- Omaha, Nebraska
- Richardson, Texas
- San Francisco, California
- Southfield, Michigan
- Stamford, Connecticut
- St. Ann, Missouri
- Walnut Creek, California
- Worthington, Ohio

SHELL CHEMICAL

Business Centers

Houston Business Center	Houston, Texas
San Ramon Business Center	San Ramon, California

SHELL DEVELOPMENT

Research Laboratories

Bellaire Research Center	Houston, Texas
Biological Sciences Research Center	Modesto, California
Chemical Research Laboratory	Houston, Texas
Elastomers Technical Center	Torrance, California
MTM Research Laboratory	Houston, Texas
MTM Research Laboratory	Wood River, Illinois
Plastics and Resins Technical Center	Woodbury, New Jersey
Shell Pipe Line Research and Development Laboratory	Houston, Texas

Shell Oil Company